

paddle

SAAS COMMERCE TRENDS 2020 REPORT



Contents

The 2019 Report Highlights

P08

1. Moving Upmarket

P14

2. Moving Downmarket

P24

3. Expanding Internationally

P34

4. Expanding Your Product Suite

P44

5. Optimizing Monetization

P54

Whether you're a small start-up selling to individual consumers or a scale-up selling to bigger business, **there is always room for growth in the SaaS world.**

It's easy to get stuck in the mindset that there's only one route for your business to grow, so we've looked into the 5 key growth levers that companies can take to succeed.

These are:

Moving Upmarket

Moving Downmarket

Expanding Internationally

Expanding your Product Suite

Optimizing Monetization

We conducted a survey across hundreds of decision makers in SaaS companies based in the UK and Europe with between 1 and 500 employees to **bring you data-led insight into each of these 5 routes of growth**, from the benefits to the factors to take into account along the journey.



“Welcome to Paddle’s 2020 SaaS commerce trends report. We’ve established 5 key routes to grow your SaaS business and have surveyed hundreds of decision makers to learn more about the routes SaaS companies take to scale.

This report brings you findings from the front lines, from the successes of using these growth levers to the most common barriers and perceived blockers for each.

We’ve always been about data-led growth and this report is an incredible insight into the most effective ways to grow a SaaS business.”



Christian Owens
CEO, Founder

“With this SaaS Commerce Trends Report we aim to offer a deep-dive into the five key ways to grow your SaaS company.

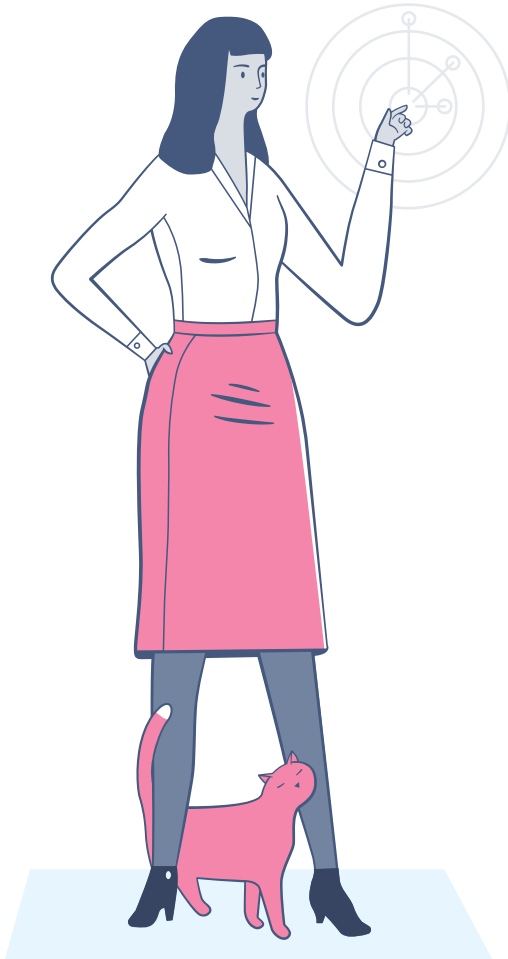
It’s likely everyone is familiar with these five key routes and there’s little denying that the most successful companies manage to use all five growth levers. The most important thing is to ascertain which lever is optimal for your company based on where your product and business is right now.

Of the SaaS companies we speak to, even the ones that process millions of dollars a month struggle to know which growth lever to invest in over another. Our report gives insight into the experience of companies who’ve taken these paths and the successes and barriers experienced on the way to give you that crucial steer”.



Harrison Rose

Co-founder and Chief Customer Officer

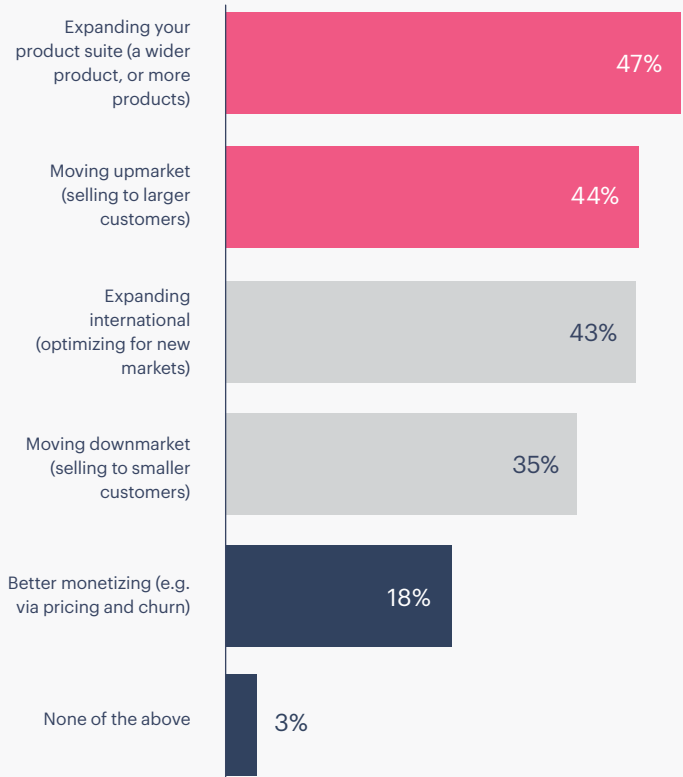


The 2019 Report Highlights:

more growth levers are the key
to scaling success

Our research found that companies who've used **between 3 and 5 growth levers over their lifetime** tend to have a higher ARR growth rate than companies that have used 2 or fewer levers.

Different companies are better suited to different growth levers. Of the ones we surveyed, **almost half have expanded their product suite.**



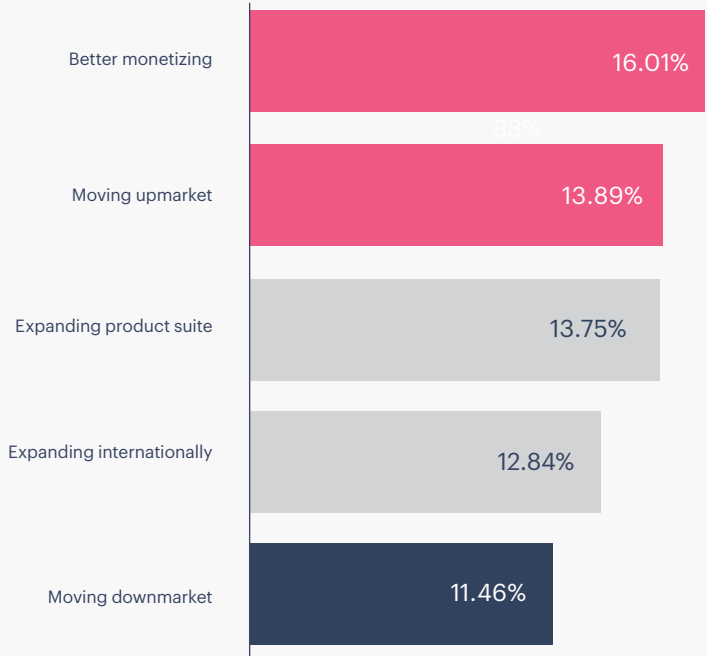
“Too often, SaaS teams focus on the wrong things. Building an excellent product is great but it doesn’t count for anything if users don’t convert to paying customers. Companies like ProfitWell have reported the diminishing value of features. At Paddle, we’re seeing the focus being on more and better features. From our perspective, most SaaS companies would grow faster by focusing on monetization: how they sell their software”.



Ed Fry
‘Ed of Growth

Improving monetization had the highest impact on revenue growth out of each of the five levers - however, it's the least commonly used.

Check out the impact of each of the 5 levers on revenue growth:



72%

Almost three quarters of respondents **rework their pricing** either regularly or semi-regularly.

45%

of SaaS companies who haven't done so already **plan to expand internationally** in the next 12 months.



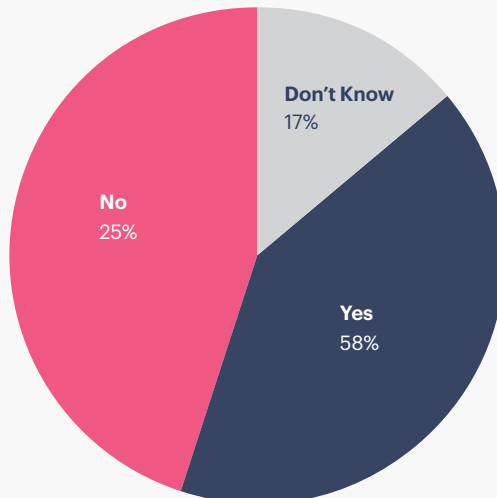
1. Moving Upmarket

Moving upmarket is often associated with making the move to sell to enterprise businesses. While this can be the case, **moving upmarket essentially involves selling to larger teams and businesses than you're currently landing** - and ensuring they love your product enough to integrate it into their workflow.

If you've been selling to professional consumers, you can move upmarket by selling to the teams of these 'prosumers' on a self-serve basis. If you're already selling to big teams via self-serve, you can improve your reach by introducing sales-assisted packages to land larger companies.

Moving upmarket is one of the top 2 most popular growth levers (the other being expanding your product suite). These 2 are also the most popular growth tracks to be used by companies who haven't done so in the next 12 months.

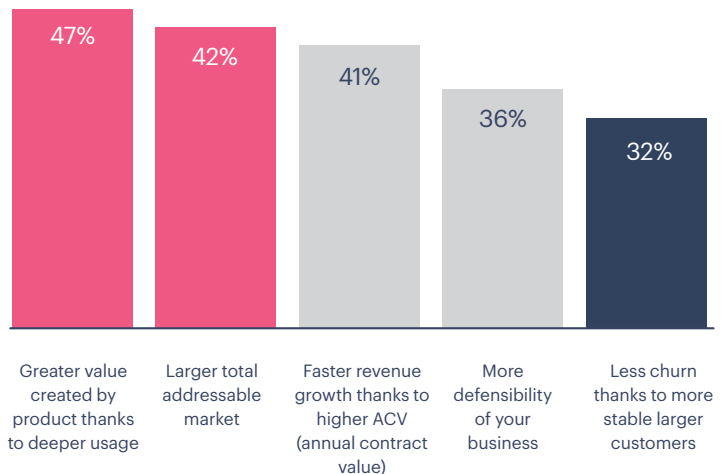
58% of those who haven't done so already are planning on moving upmarket.



47%

Almost half say the biggest success while moving upmarket is the greater value created by product thanks to deeper product usage, while **32%** found moving upmarket reduced churn due to larger, more stable customers.

Successes when Moving Upmarket





Framer moved from \$15/month licenses to \$100,000+ enterprise deals

Design and prototyping platform Framer had hundreds of users from potential clients like Netflix, Tinder and MailChimp. They were in prime position to move upmarket... but they needed a SaaS commerce platform to make their move into enterprise seamless.

With Paddle’s guidance, Framer were able to implement and iterate on a new per-seat billing model with individual, team and invoiced enterprise plans - all without tax, compliance, support and accounting to deal with.

Framer’s team found a strategy to roll up individual purchases into enterprise deals, leading to their \$8M Series A. By building out their sales team around the new strategy, they accelerated to a \$24M Series B just 12 months later.

1

employee managing global taxation, billing, and accounting

125,000+

global community of designers & developers

\$33m

raised in funding

4%

reduction in churn

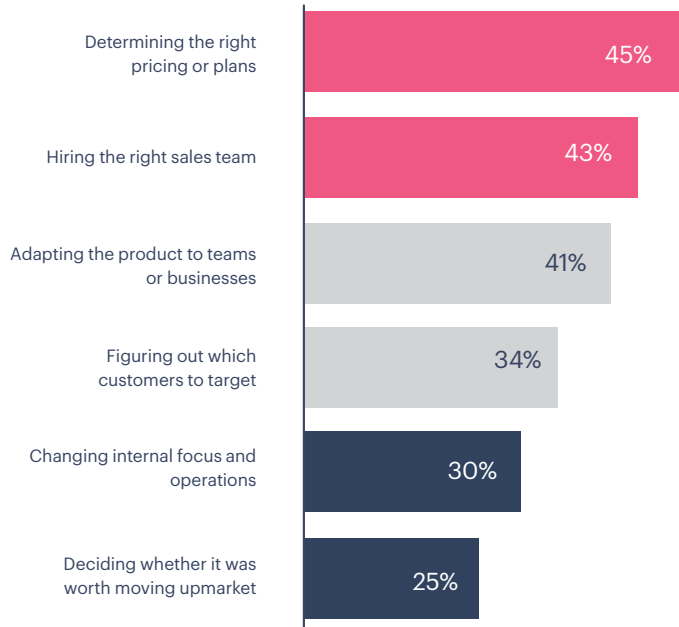
“Our goal at Livestorm is to scale upmarket adoption and the inbound sales process related to that. Doing this will educate our pricing decisions, especially when it comes to custom plans that we serve to large and enterprise companies”.



Thibaut Davout

Growth Engineer at webinar platform
Livestorm

45% found determining the right pricing plan to be the most difficult aspect of moving upmarket. Other difficulties when moving upmarket include...



The top reason stopping people from moving upmarket is the requirement of a different product in order to do so (**38% respondents had this problem**). The other main reason is difficulty in hiring a sales team (**experienced by 35%**).

43%

of SaaS companies who have moved upmarket found **hiring the right sales team** to be the most difficult aspect.

Hiring a sales team

Hiring the right sales team isn't easy. If only there were some hard-and-fast rules to setting up a successful team right off the bat! **A strong sales function is a gradual, iterative process** as our VP of Sales has found.

For him, the biggest mistake you can make as a sales team is to be resistant and reluctant to change.

“You should always continue trying to optimize and improve the [sales] process, and when you're scaling up there are different challenges that you weren't facing when it was a smaller team or smaller target market. Keep an open mind, always look to improve and try to push back on the 'we've always done it this way' mentality”.



Adam Kay
VP of Sales

Want advice on hiring the right sales team and choosing a billing model?

We have a range of resources to help you on your move upmarket. Head to paddle.com/moving-upmarket-toolkit.



Is Your SaaS Company Ready for Big Business? Know When You're Ready to Move Upmarket

We look at what prompted the move to upmarket for other SaaS companies and consider what needs to be in place before you move to the big leagues.



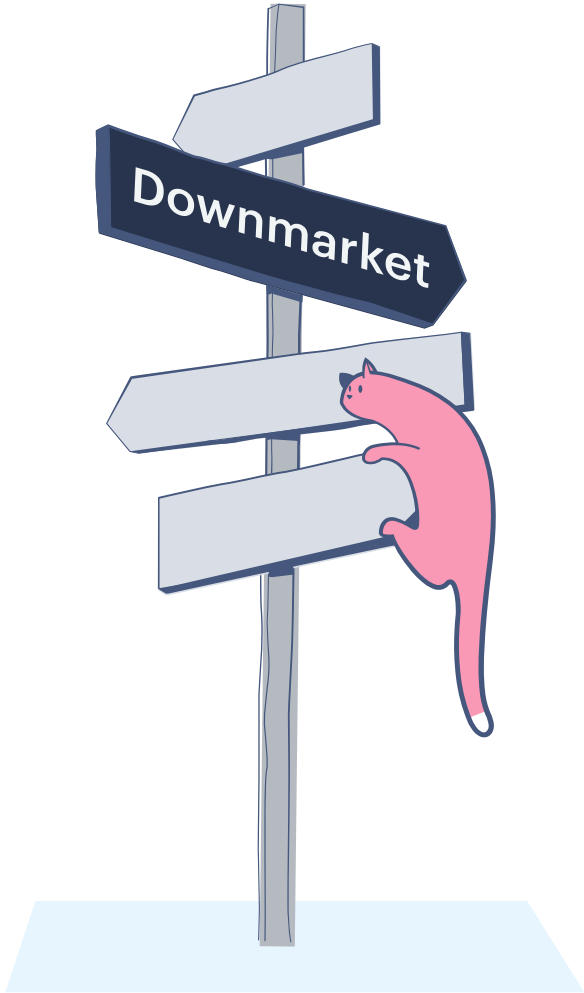
Building Your Optimal Billing Model: Top 8 Models for SaaS Companies

We explore the most popular billing models and take a look at the companies using them so you can see where your business can fit in.



7 Lessons from SaaS Companies Who Built Their Product For Teams and Enterprise

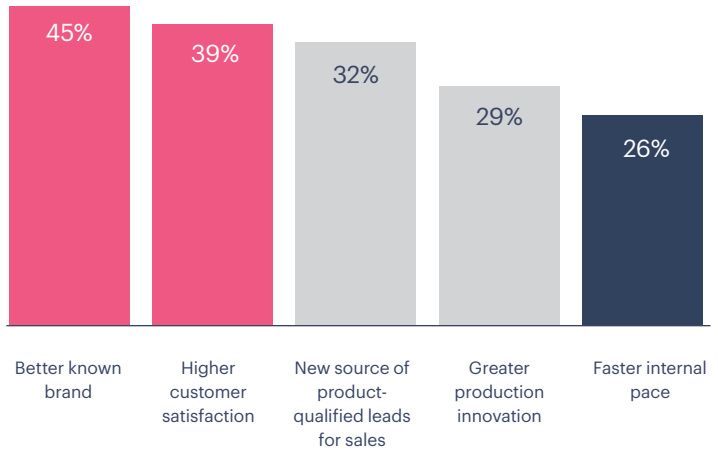
Begin your move upmarket with these lessons from other companies who've done it.



2. Moving Downmarket

Moving downmarket is another way to broaden the use of your product. If you're currently selling to teams or businesses, **having a version of your product that can be targeted towards prosumers or individual consumers who buy via self-serve on your website is a great way to increase your revenue.** Likewise, if you're selling to large companies, a version of your product that targets smaller teams can be incredibly lucrative.

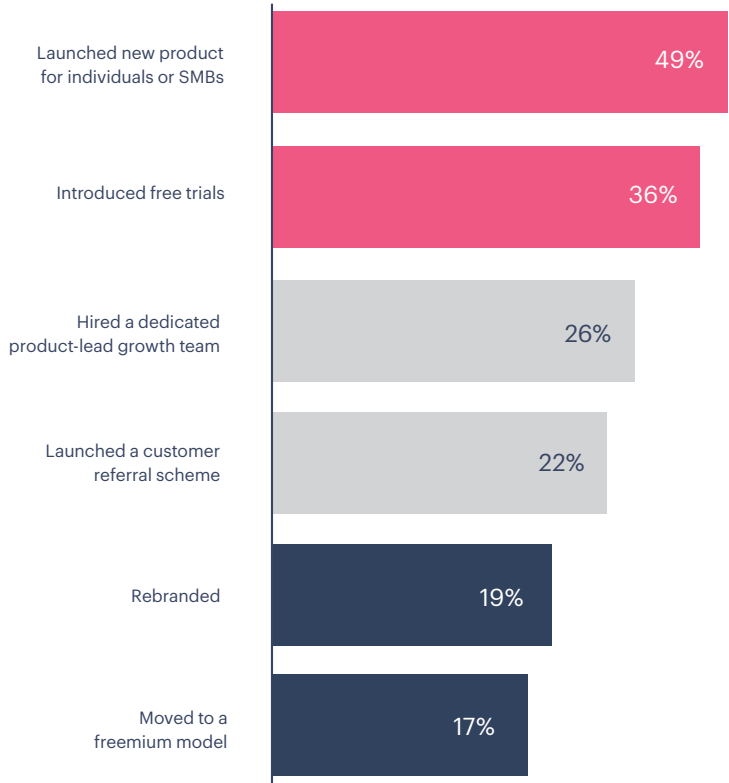
The biggest success experienced by SaaS companies when moving downmarket is developing a better known brand (45%). Other successes include...



12%

is the average impact of moving downmarket on revenue growth.

49% of respondents who moved downmarket launched a new product for individuals or small to medium-sized businesses (SMBs). **36% introduced free trials.**



“Paddle partners with a variety of brands that want to expand their reach by offering a free version of their product or service. One recent example is Pocket Casts, a highly regarded global podcast platform that recently transitioned from being a paid app to a free app, alongside the launch of a premium tier called Pocket Casts Plus. Paddle worked closely with the Pocket Casts team to help them maximize this growth strategy.”



Paula Recker
Account Manager



Renderforest Unlocked 3x ARR Growths

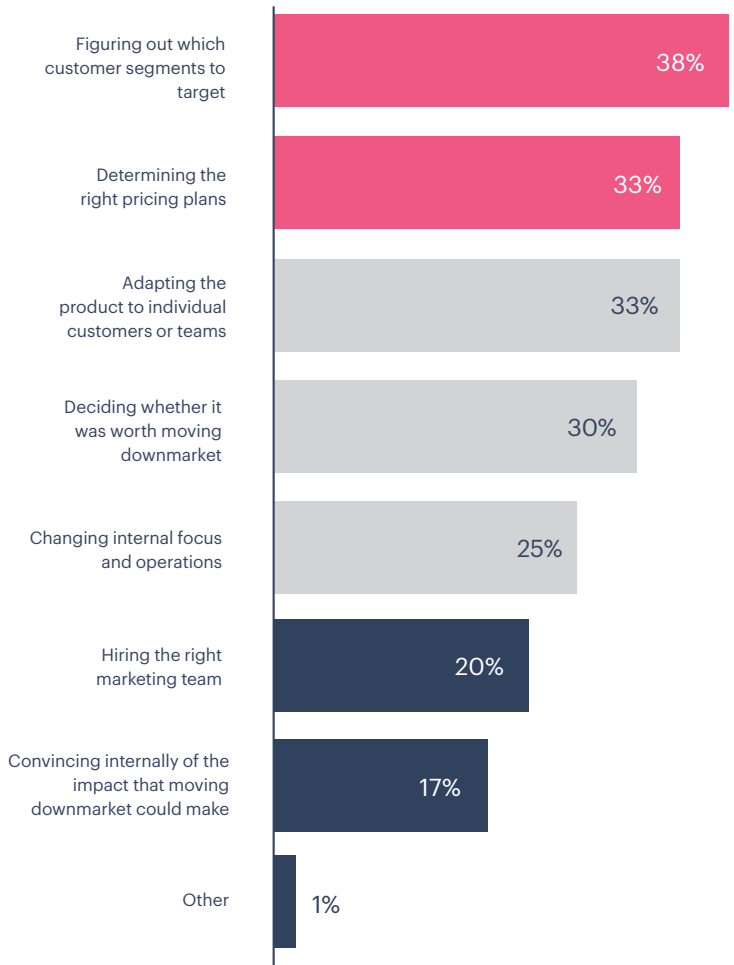
Freemium pricing was the core component of online design platform Renderforest's growth strategy, maximizing user acquisition through free channels like referrals with free watermarked products and one-time purchases, then upselling to subscriptions.

Renderforest was struggling to maintain all this logic with their previous payments and billing system, but by working with their Paddle Account Manager and Solution Architect they were able to implement custom billing logic, including webhooks into its backend systems. Reliable updates syncing to the Renderforest product lifted the burden of additional support from its team immediately.

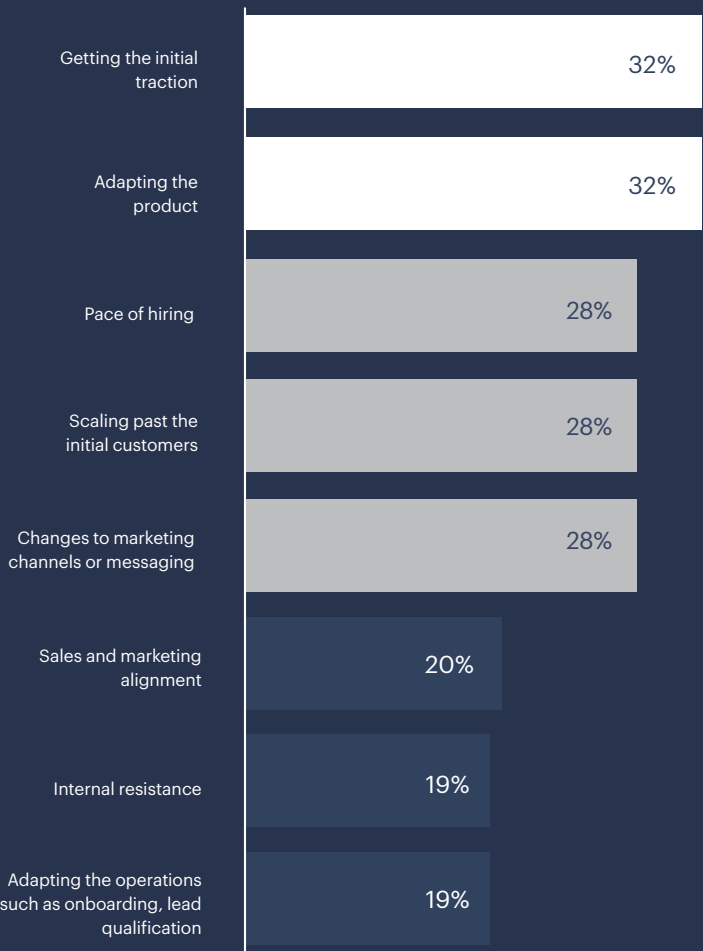
Through using Paddle Renderforest now has its subscription complexity under control. It also has:

- Reduced its refund rate by 60% (to rates matching similar software startups).
- Run millions of dollars of ARR through Paddle's platform.
- Saved over 100 hours per month of billing support burden.
- Managed the lifecycle of over 8 million users.

38% found figuring out which customer segments to target to be the most difficult thing about moving downmarket, followed by **33%** who struggled to determine the right pricing.



Getting the initial traction and adapting the product were cited as the biggest barriers to growth whilst moving downmarket (32% of SaaS companies found this to be the case).



Offer a free version

One of the popular routes downstream is to introduce a free version of your product for individuals to use. This encourages product loyalty and creates brand cheerleaders who'll likely want to upgrade to a paid plan.

Want to learn more? You can find our Freemium to Premium guide at paddle.com/blog.



Get your pricing right

Determining the right pricing was cited as one of the big difficulties when moving downmarket, so let us reassure you. Expanding to new segments means access to more customers, but this doesn't always have to mean uprooting your billing set-up to accommodate these new users. Unless you're crossing the B2B/B2C line, **you can still reach a different audience and bill them the same**, for example if you're now targeting smaller teams but still using self-serve billing.

Still unsure? Go to **paddle.com/demo** to see how we can help you optimize your pricing.

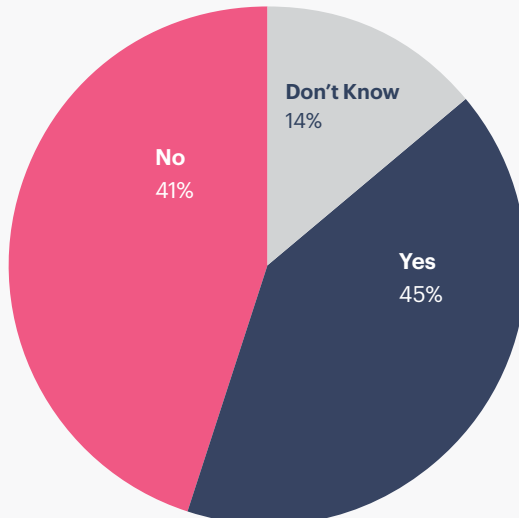


3. Expanding Internationally

Got a lot of love for your product in your home country? Chances are it'll do well in the international market. **Selling your product into new geographies** can be a great way to see your business take off.

It's important that you do your market research when expanding into new territories. It's crucial to scope out local taste and requirements - you want to make sure there's a desire and/or need for your solution. Next, you need to focus on adapting your product for the country, including language translation and localizing the currency.

We asked SaaS companies who haven't already expanded internationally if they plan to in the next 12 months. Here are their responses:



13%

is the average impact of **expanding internationally** on revenue growth.

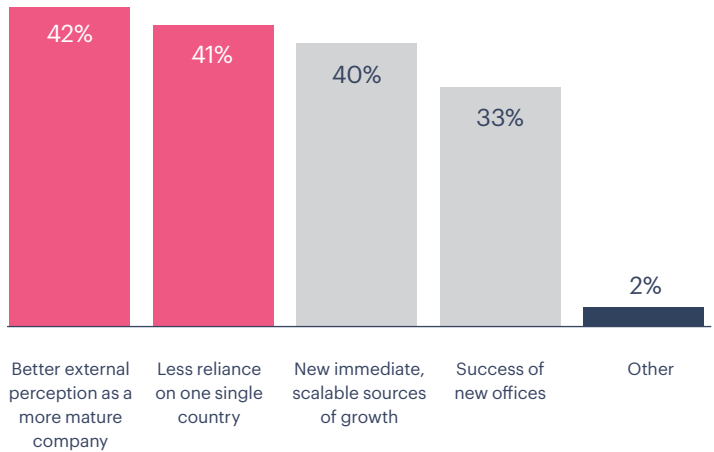
“Over the years, we’ve seen countless sellers localize their checkout and increase conversion by enabling the full range of currencies that Paddle offers.

Such localization efforts are even more impactful when complemented by a pricing strategy that is mindful of differences in spending power across different geographies”.

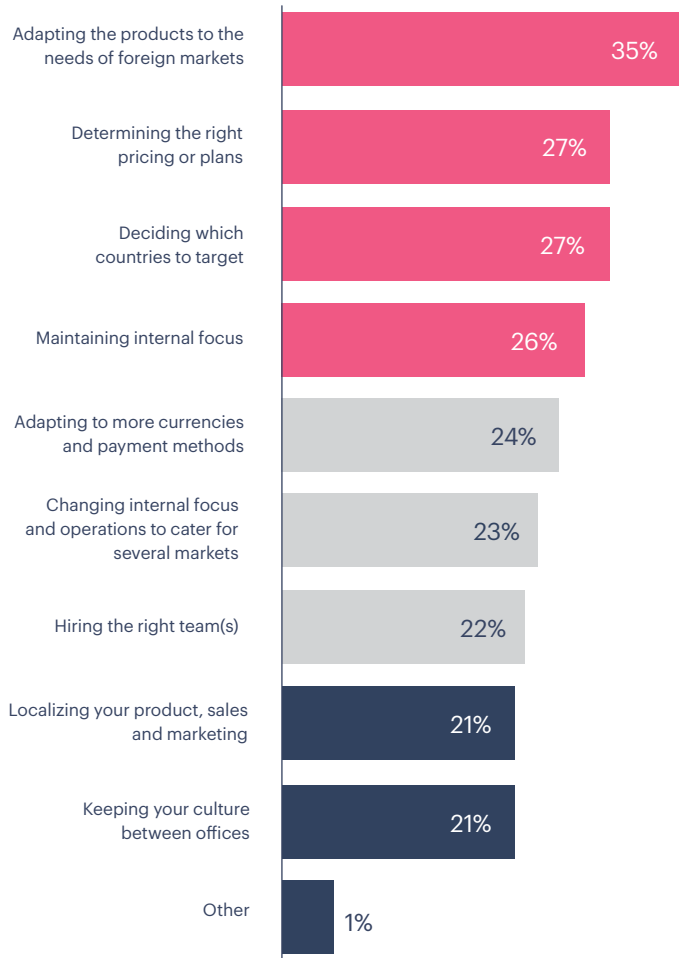


Paul Tebbs
Account Manager

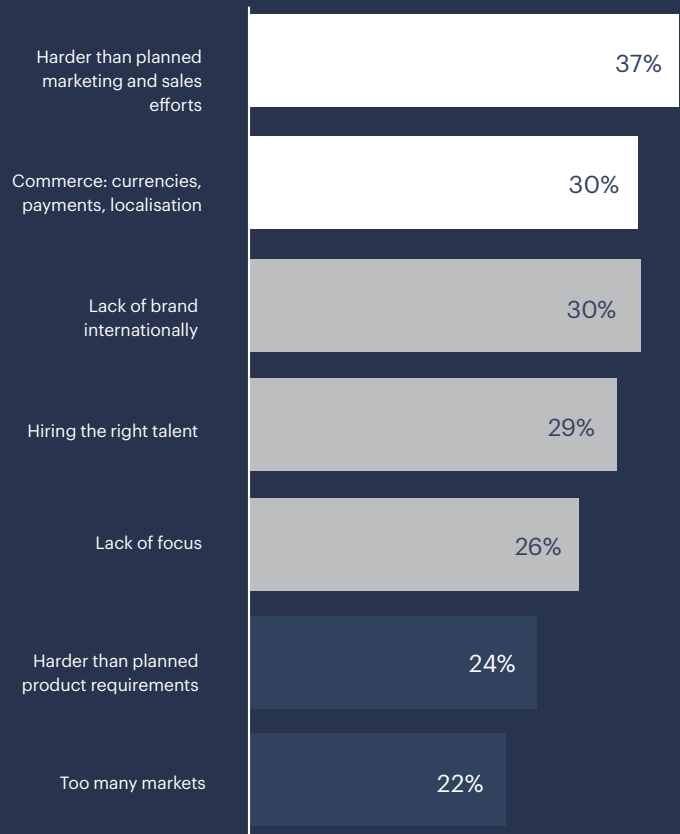
Successes experienced by around two fifths of SaaS companies who expanded internationally include better external perception, less reliance on a single country and **new immediate sources of growth**.



Adapting to the needs of a foreign market was seen by over a third of SaaS companies as the most difficult aspect of expanding internationally (36%). Other perceived difficulties include:



The biggest barrier to growth when expanding internationally is that **marketing and sales efforts are greater than expected**. This is followed by the difficulty of localization and lack of a brand internationally.



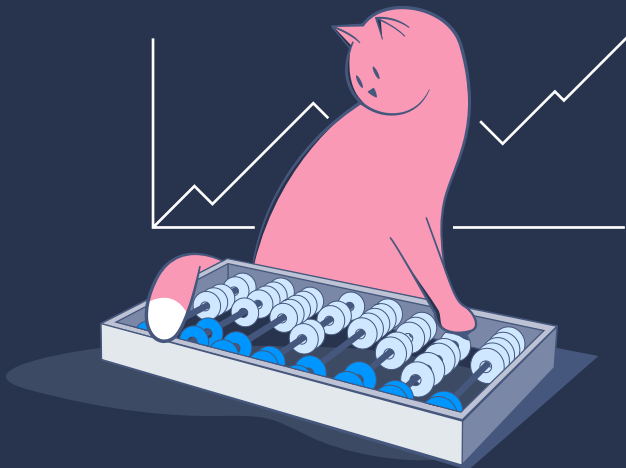
Localizing currency

Pricing and localization appear highly among the difficulties and perceived barriers of using international expansion as a growth lever. At Paddle, we believe that a lot of these pricing pains when expanding internationally can be remedied by **true localization**.

Showing a price in the wrong currency can have a negative impact on an international customer's purchase decisions, but 'cosmetic localization' (where you enable potential customers to view prices in their own currency) shouldn't be your first step to fix this.

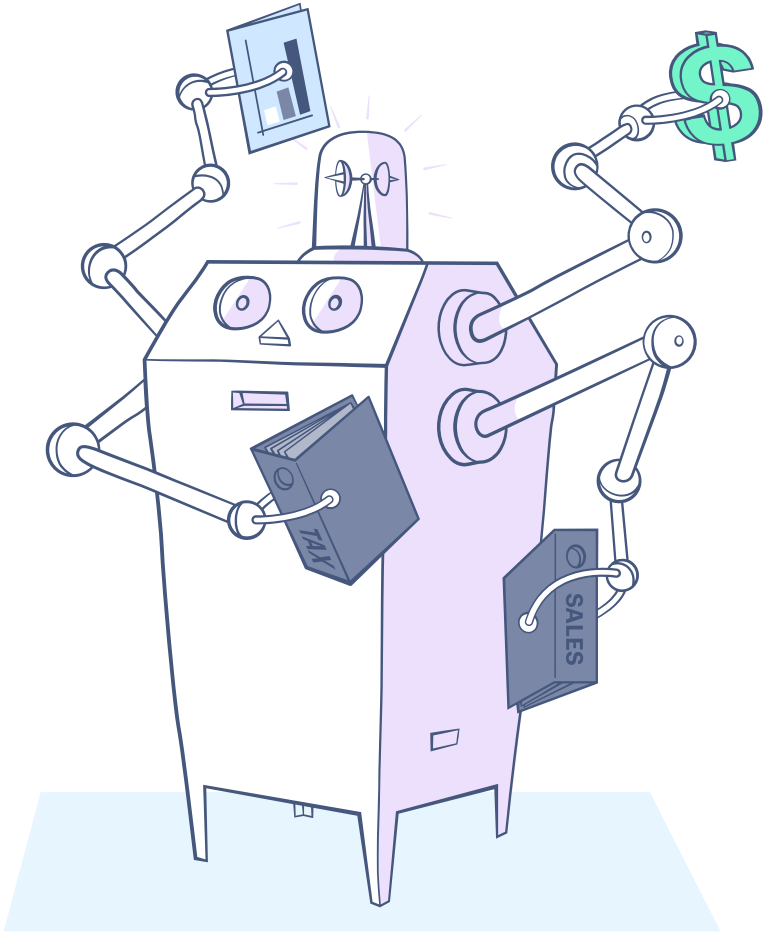
Customers won't pay for your product in their currency - or any other - if the price is wrong. True localization should always come first: research the markets into which you're planning to sell, charge a price based on willingness to pay in each market and make sure your pricing aligns with different buyer personas in each region.

With Paddle, **each of your customers receives an optimal experience**, with pricing, currency, payment methods and text all localized. You also have zero tax liability. You don't have to worry about the collection, reporting or remittance of international tax - that's on us!



4. Expanding Your Product Suite

Listening to the feedback of your customers is crucial. If you're getting a lot of the same sort of product suggestions from loyal customers, you'll likely increase your revenue by **expanding your product suite to include a version or feature that your users have been crying out for.**



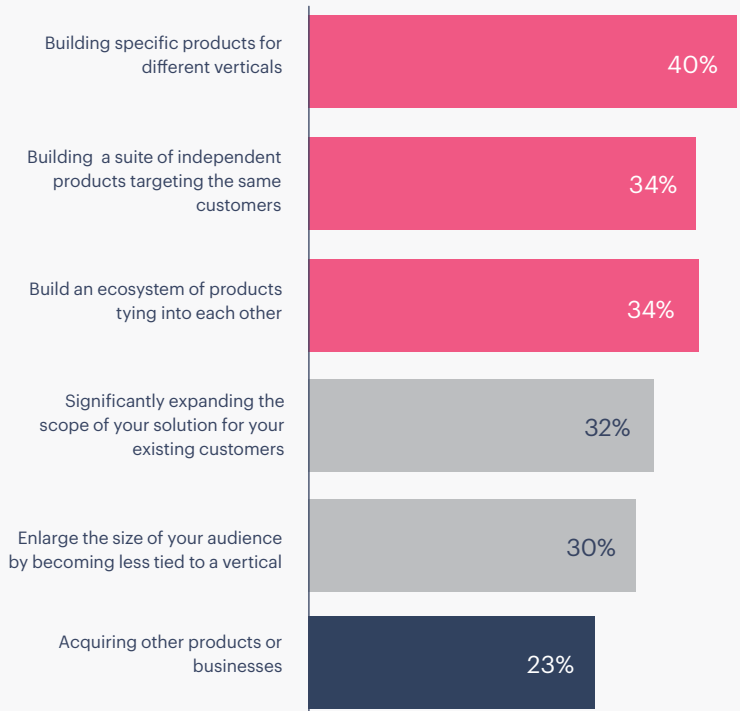
Expanding your product suite can mean adding a package for larger or smaller sized customers (which is where this growth lever works hand-in-hand with moving upmarket and downmarket) or **creating a whole new product to compliment your solution.**

Expanding your product suite is one of the top 2 most popular growth levers (the other being moving upmarket). These 2 are also the most popular growth tracks to be used by companies who haven't done so in the next 12 months.

14%

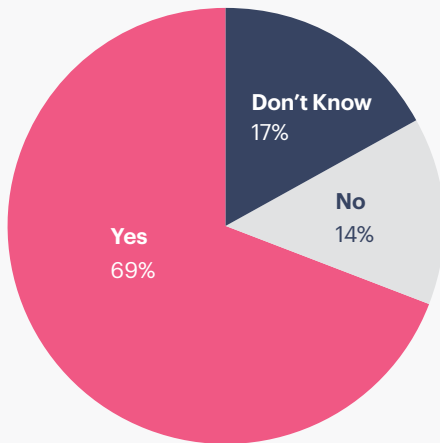
is the average impact on expanding your product suite on revenue.

Almost half of the companies we surveyed built specific products for different verticals to expand their product suite.



69% of those who haven't yet expanded their product suite plan to do so in the next 12 months; only **14%** said they will not.

Do you plan to expand your product suite in the next 12 months, if you haven't already done so?



“Product market fit is the constant pursuit of any software company. What we’ve been seeing recently, though, is that software sellers have realised they don’t need an entirely new company to identify that.

Increasingly, we’re seeing companies roll out new variations of their products or expanding their product suite with complementary products in order to capture more of the market and make sure they have something which is a better fit for their different customer profiles.

This, matched with an optimized billing model, has led to some drastic revenue growth and also increase in the LTV of their customer base”.



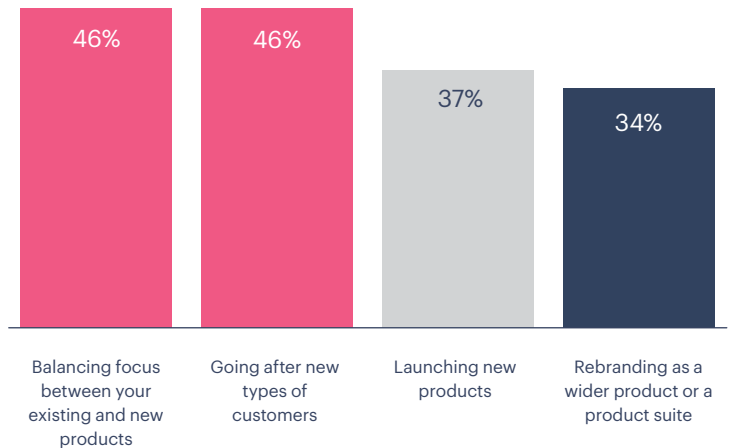
Wahid Tashkandi,
Account Manager

“At Paddle we frequently see companies grow by expanding their product range. MacPaw, for example, launched their new product CleanMyMac X last year, which was hugely successful for them. This year with Paddle’s card updater, they achieved close to a 70% re-subscription rate, processing millions in customer renewals and setting themselves up for future success”.

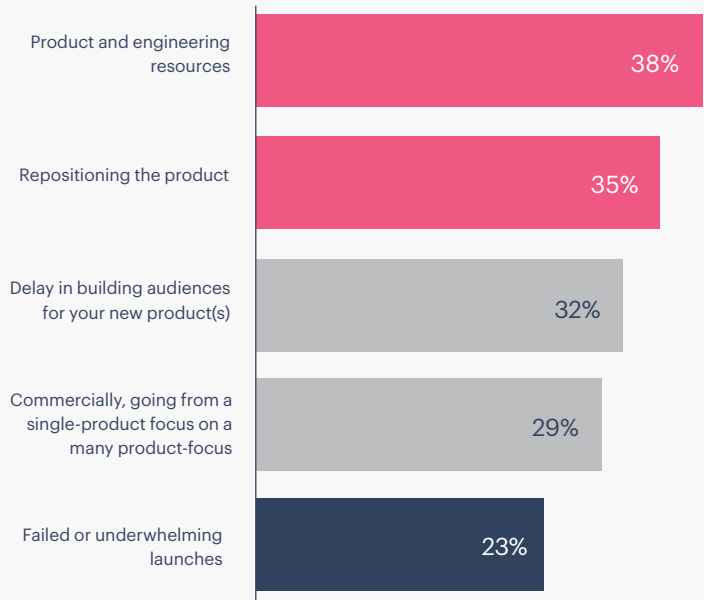


Gary McGrath,
Success Operations Manager

Balancing focus and going after new customers are the biggest difficulties when expanding a product suite, with **46% of SaaS companies** experiencing these issues. Other difficulties include launching new products and rebranding as a wider product or a product suite.



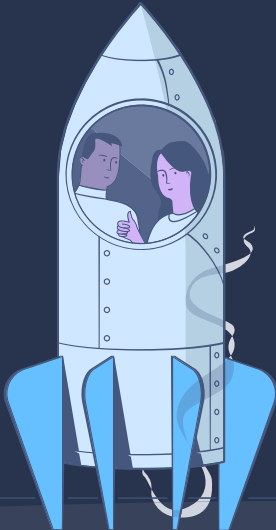
The biggest barriers to expanding a product suite were cited as **product and engineering resources (38%)** and **repositioning the product (35%)**.



Launching a new product

When you're confident you have a great product that your market has an appetite for (and you've optimized the pricing for this new product), it's time to create some hype around it! Awareness of your new product and the value it brings is key.

Leveraging your existing customers is a great place to start. Reach out to your number one fans for endorsements of your brand to use in your marketing campaign and **build a campaign that informs and entertains your new potential customers**. Consider using special introductory offers - and don't forget to tell your existing customers about the launch through your newsletter (everyone likes feature teasers)!





5. Optimizing Monetization

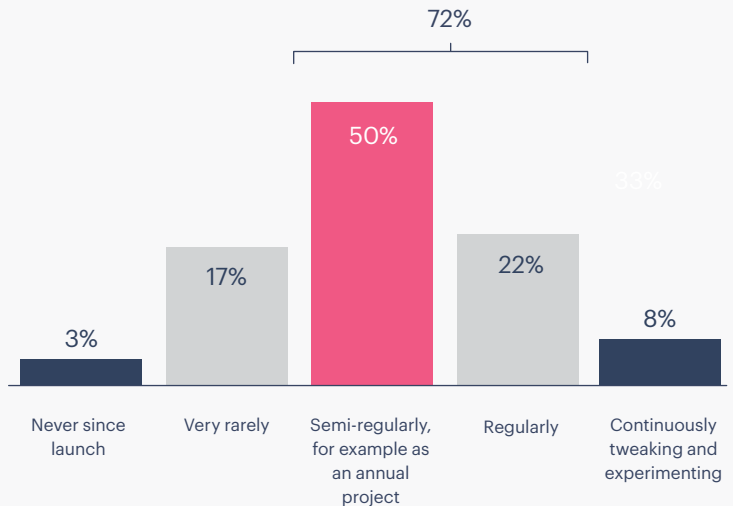
As simple as it sounds, **improving how you price your products is going to make you more money.** Taking the time to iterate on your billing model and what you're billing for can be a time-consuming task - but the rewards are there for the reaping.

Optimizing monetization had the highest impact on revenue growth (16%).

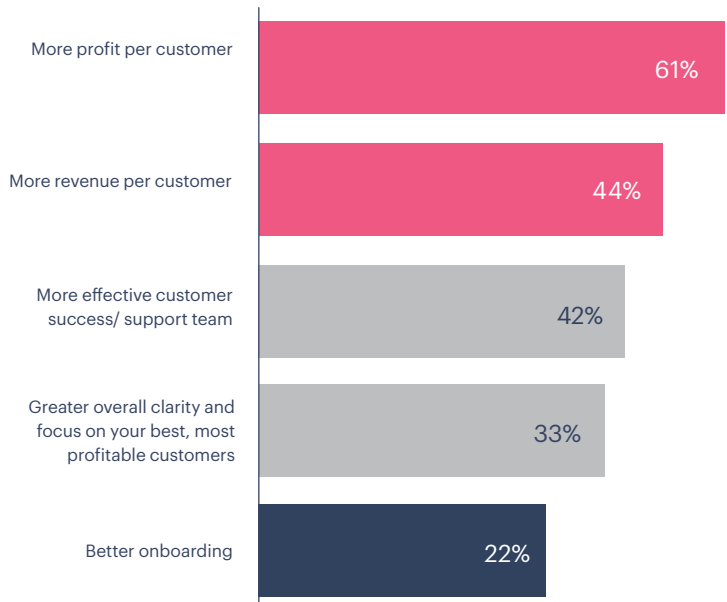
72%

of respondents rework their pricing either regularly or semi regularly.

How often do you rework your pricing?



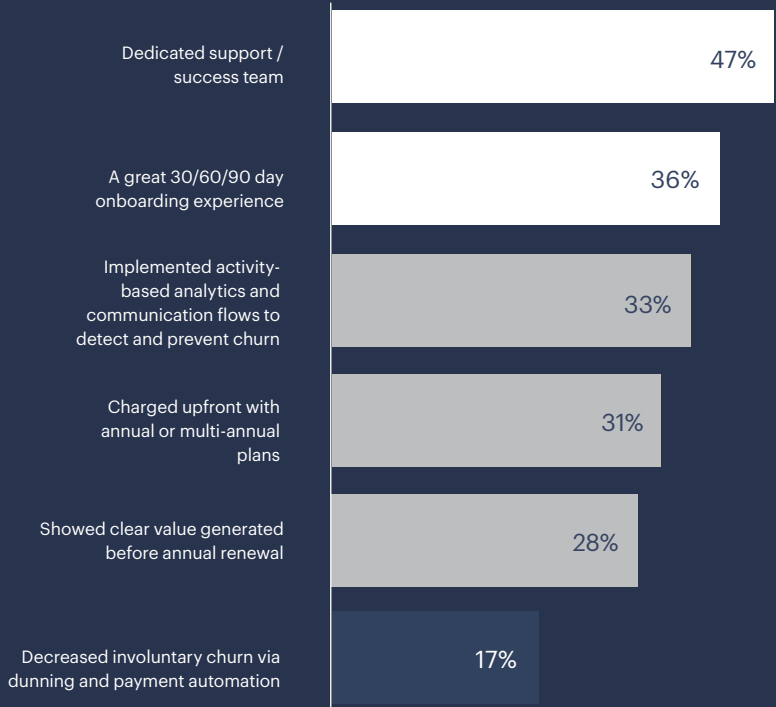
3 in 5 have made more profit per customer with better monetizing, whilst **44%** have experienced an increase in revenue per customer. Check out the other successes of improving monetization:



51% are considering improving their monetization in the next 12 months, the main reason for not doing so already is due to having more urgent priorities.

The most popular anti-churn tactic is having a dedicated support or success team (47%).

What anti-churn tactics do you use?





Fournova's Tower moved to subscriptions with the help of Paddle

Fournova is the company responsible for Tower, a market-leading version control client that allows development teams to manage their code base more easily, leveraging all of the most powerful features of Git.

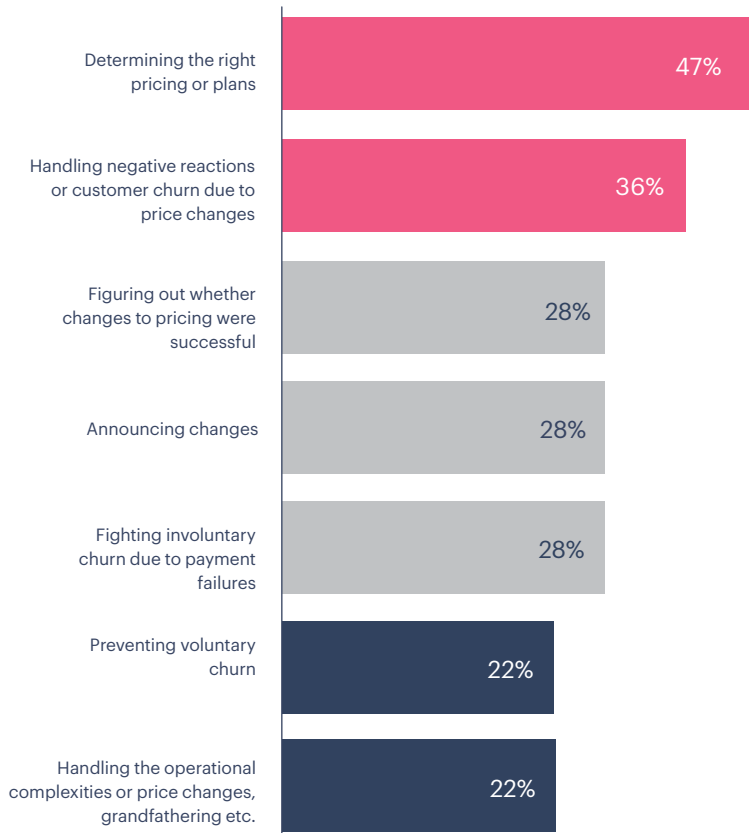
Having previously sold perpetual licenses for its Mac & Windows software, Fournova decided Tower was suited to a subscription model and wanted their next release, Tower 3, to be available as a SaaS product. Unsure their existing provider could set them up for success in their pursuit of subscription excellence, they came to Paddle.

Working with their Paddle Account Manager, Tower was able to devise a plan to move their business to a subscription model. This plan helped build confidence with existing customers to move to subscription, as well as acquire new SaaS customers.

One year on, Founova has in excess of 100 team subscriptions with 10+ seats and their second year renewals were a huge success, with 75% of subscribers choosing to renew their product.

Despite having the highest impact on **revenue growth at 16%**, improving monetization is the least commonly used growth lever.

Almost half of the SaaS companies we spoke to found determining the right pricing plan to be the most difficult aspect when **improving their monetizing (47%)**. Have a look at the other difficulties they encountered:



Having trouble determining your optimal pricing plan?

It's important to first establish **your value metric**. Put simply, this is what you should be charging your customers for.

You wouldn't want to charge your customers more for an upgrade or different price plan without generating more value (and nor would they want to purchase it), so **it's vital to ascertain what part of your service brings the most value**. Once you have a clear idea of what you should be billing for, it's then time to choose a billing model that's right for your product.

About Paddle

Whichever route(s) you decide are optimal for your SaaS business, our data indicates that the more growth levers used, the greater the chance of successfully scaling your business.

Paddle helps you grow your business.

Convert new customers, grow revenue and free up time spent on manual tasks with our subscription and commerce platform.

- Delight your customers with a seamless end-to-end customer journey.
- Implement the optimal billing model for your product with flexible subscription billing.
- Free your team from bureaucratic red tape by letting us handle your international sales taxes and fraud prevention.
- Take advantage of the huge amounts of data collected from first click to renewal, with custom reporting on the metrics that matter to your business.

See how we can support you as you take these growth levers to scaling success. Visit paddle.com.

Thank you to our contributors



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