

SaaS industry trends & their implications for PR-tech

(Mynewsdesk) Software-as-a-Service (SaaS) has become the prevalent model for selling software solutions to both private as well as enterprise customers. Famous industry juggernauts such as Salesforce , Marketo , Hortonworks and Zendesk have shown particularly fast growth, all of them reaching the \$50m revenue mark in less than six years after being founded.

The software industry is changing fast, leading to two questions:

- * What do other SaaS startups need to do to be successful?
- * How does this affect PR-tech, the industry of Mynewsdesk?

SaaS makes software go viral ? an evolving business model Not only has the way software is being offered fundamentally changed over the past years, recently enterprise SaaS companies have also been displaying a shift in their sales approach. Traditionally enterprise software selling has always targeted the budget holders and IT departments and thus was employer-focused - resulting in products being imposed on employees ?from above?*. Recent models are employee-focused and target the eventual end-users within a company more heavily while regarding the opinion and demands of users as the central part of product development. This approach attempts to make a product popular among individual users and ideally generates a viral referral effect through which a company can grow without spending much money on sales and marketing, a development that has been making sharing-economy startups such as Airbnb and Uber immensely successful. From a sales perspective this ?bottom-up?* or B2C2B approach to software sales attempts to offer a real value-add to the users and often starts with private individuals trying out a product first before using it at work, followed by their whole team and eventually an entire company adopting the product step-by-step.

Source: Tomasz Tunguz, Redpoint Ventures (tomtunguz.com)

Furthermore, enterprise SaaS startups have acknowledged the importance of various factors that help fuel the growth of their business. These factors include attracting end users through apps and open source software, offering referral bonuses for users, providing insightful content marketing and an excellent customer experience.

Critical focus areas to achieve growth while maintaining profitability To scale a SaaS startup successfully there are key areas startups need to get right, among them distribution, professional services, pricing & packaging, commission models and cost structure. In each of these key areas there are a number of important learnings:

- * While most enterprise SaaS companies use field sales and inside sales as their two preferred ways of distribution the biggest impact on growth can be seen when using a mix of field, inside, internet and channel sales.
- * Professional services are a necessary part of ensuring customer success and thus keeping a high retention rate, though they do not contribute much to a company?s revenue and typically have rather low profit margins.
- * Pricing and packaging need to have the customers in mind by fulfilling criteria such as simplicity and customer friendliness without disregarding the importance of the company?s business goals. Enterprise SaaS startups have experienced the ?try-before-you-buy?* model to be much more successful in generating new contract value than ?freemium?* offerings.
- * Most enterprise SaaS companies use commissions between 7% and 11%, though contrary to common perception differences in commission models have almost no impact on contract sizes.
- * In order to become profitable it is particularly crucial for software startups to maintain a very high retention rate paired with viral growth that can offset any remaining cancellations. Especially since, due to the SaaS business model, lower upfront revenues, longer pay-back periods and often very high customer acquisition costs make it more difficult for enterprise SaaS companies to operate profitable . Marketo and Box are just two prominent examples of enterprise SaaS startups that had to disclose substantial losses despite vast revenue growth rates during their respective IPOs. It is therefore crucial for enterprise SaaS startups to focus on offsetting cancellations through upsells, upgrades and viral growth as well as reducing costs such as customer acquisition costs and improving gross profit margins by automating as many processes as possible without decreasing the quality of customer service to ensure profitability.

Source: Jason Cohen, venturebeat.com (2013)

Exemplary leadership is key Becoming successful in the fast-paced environment enterprise SaaS companies operate in also means getting and keeping the best talents on the team as only people who are smart, driven, entrepreneurial and who have an urge to be successful will be capable of helping the company succeed. In fact employees are the key to a company?s success because, as Sir Richard Branson points out, ?The way you treat your employees is the way they will treat your customers?*. To achieve this the leadership team has to know how to lead, motivate and steer their employees and acting as a level 5 leader is crucial for becoming a successful leader. Adapting this approach has helped Mynewsdesk to consistently maintain an employee satisfaction rate of 90%.

Implications for the PR-tech industry All industries are affected by software and so is PR and communications too. The current PR-tech landscape is characterized by a high degree of fragmentation with numerous suppliers offering a large range of tools for various purposes. Furthermore, many of these suppliers still focus more on selling a software solution to a company while not concentrating enough on the eventual users. This industry will be undergoing a fundamental change process with consolidations reducing the number of suppliers and tools to result in a clear selection of software products that will combine all kinds of features in one seamless workflow-oriented solution. In addition, future PR-tech offerings will regard PR people and communicators as their main focus to be able to provide a product that will make the daily job lives of PR professionals easier and more efficient, adding real value to the industry.

As with many industries before, technology will also enable disruptive business models in the PR and communications industry and one can expect very interesting times ahead in PR-tech.

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Mynewsdesk ist ein effektives und kosteneffizientes PR Werkzeug, das in der komplexen Medienlandschaft von heute funktioniert.

Sven Törnkvist, Industry Head, Google Sweden

Mit dem Newsroom als All-In-One-PR-Solution ist Mynewsdesk in Skandinavien Marktführer. Mehr als 5.000 Markenunternehmen, wie Google, Microsoft, Volkswagen & Audi, nutzen weltweit erfolgreich die PR-Software-Lösung von Mynewsdesk.

Seit der Gründung 2003 in Schweden expandiert Mynewsdesk kontinuierlich und hat heute Niederlassungen in Großbritannien, Norwegen, Dänemark und Singapur. Seit Oktober 2013 ist Mynewsdesk auf dem deutschen PR-Markt aktiv.

Insgesamt arbeiten über 160 Mitarbeiter leidenschaftlich daran, dass Unternehmen Storytelling und Echtzeit-Marketing optimal für sich nutzen können und so zum PR-Vorreiter werden.

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