

Top Voice

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The impetus for transitioning to SaaS and why CS is critical



The SaaS global market continues to flourish, with overall SaaS spend growing a healthy 18% to almost \$200 billion worldwide in 2023. [Gartner](#) sees SaaS crossing \$232 billion a year by the end of 2024.

In 2023, SaaS spending as a share of total company costs was at 14.1% compared to 12.7% in 2022, which translates into an 8.7% growth in just a year ([Source](#)).

The majority of software vendors have moved from the traditional “license and maintenance” model to a subscription-based SaaS (Software-as-a-Service) model, and this has driven a significant shift in the way customers consume and pay for software.

What are the benefits for a software vendor to move to a SaaS model?

The most visible and immediate benefit for companies adopting the SaaS model is that it can provide a highly predictable and accurate forecast of revenue streams. This leads to a highly positive market sentiment, driving up their stock value.

In the longer term, vendors are able to provide better value to their customers, through a focus on proactive customer success management, and offering a richer functionality of its products through innovation and faster release cycles. SaaS businesses report higher retention rates, with an average of around 90% compared to 70-80% for traditional software businesses. This leads to higher customer retention, and an increase in Customer LifeTime Value (CLTV). Finally, SaaS reduces the costs and capital investment associated with hardware, infrastructure and maintenance, and can reduce total cost of ownership (TCO) by up to 50%.

How does the transition to SaaS impact customers?

Most customers who have successfully migrated to the Cloud have appreciated the ease of implementation compared to on-prem solutions, giving them a faster time to market. They also benefited from reduced IT overheads for monitoring and management, as well as automatic updates and patches. The ease of scaling their solution based on their current demand has given them better flexibility while the commercial subscription model has provided them control and predictability over their costs.

While most customers view the transition to SaaS as essential to their ongoing success, a few have faced challenges related to data security, need for customisation, and technical complexity encountered during migration. Some have also voiced their concerns regarding specific requirements, regulatory compliance needs and the additional rigour required for security.

Best practices for a software vendor to transition to a SaaS model

Tech & Product Readiness

- Invest in cloud infrastructure and platforms, Implement robust security measures and ensure compliance with relevant regulations and standards to protect customer data.
- Provide features and functionalities, APIs and integration capabilities delivering core value to customers.

Organisational Readiness

- Implement a change management plan with dedicated communication and training. Educate customers about the advantages of the SaaS model and the value it brings to their business and allay their fears.
- Elevate Customer Success to focus on proactive customer engagement. Train the sales and renewal teams on subscription-based selling and renewal forecasting.

Commercial Readiness

- Define and track SaaS KPIs such as customer acquisition cost (CAC), gross and retention rates (GRR/NRR), annual recurring revenue (ARR), and customer satisfaction.

Critical Role of Customer Success in the transition to SaaS

The primary objective of Customer Success is to ensure that customers achieve their desired outcomes while using the company's product or service, and this becomes even more critical during a major transition like moving to SaaS.

The CS team works closely with sales, product development, and support teams to ensure a cohesive approach to make the transition successful. They ensure that the project is managed diligently, providing customers proactive communication, dedicated support channels, end to end migration assistance with specialist resources as required, along with focussed onboarding and training. Equally importantly, CS drives adoption through proactive user engagement activities, and monitors key adoption metrics to identify and address any issues. This is a critical activity that empowers them to identify early signs of potential churn or dissatisfaction and address such issues proactively. Finally, CS acts as the voice of the customer, ensuring that customer needs and feedback are integrated into product development and future planning.



Are CS teams prepared to take on this role?

While most CS teams have adapted to this role very quickly, given the focus on delivering customer value, some have struggled initially to pivot from providing the reactive CS support to providing meaningful proactive customer engagement, and needed retraining. A key factor that has differentiated successful CSMs from others is their ability to understand and capture measurable customer business outcomes, and demonstrate to the customer the positive impact of the product or solution. Another significant contribution that successful CSM have provided to

the business is their early warning signs (Risk CTA -Call to Action) to identify and mitigate potential revenue downsell or churn.

APPENDIX

1. What are the big advantages of transitioning from on-prem to SaaS?
2. And the disadvantages from your experience?
3. What is the single biggest challenge you/companies face transitioning from an on-prem model to SaaS?
4. What are the top 5 mistakes you have seen companies make?
5. What is the best piece of advice you would offer to a CS or Revenue leader going through this challenge?
6. Why is the CS leader's role so crucial in helping navigate the transformation journey?
7. What was the impact on your team? (Assuming they weren't SaaS native and having to adapt to a different motion and revenue model)
8. How well did your team adapt? Or was there a need to restructure during the journey?
9. What challenges presented themselves with senior level stakeholders?