For organisations that want to grow, take on the world, and go big.

Australia & New Zealand

2021 SaaS Growth Insights

2021

February 2021

Welcome to the 2021 SaaS Growth Insights Report

SaaS In ANZ is a maturing market

Globally, SaaS (Software as a Service) businesses are on the rise, with Australia and New Zealand (ANZ) no exception. SaaS in ANZ continues to grow, not just startups but traditional software businesses that are moving to subscription models too.

As technology evolves, barriers to entry reduce, and subscription-based business models mature, we also see increasing adoption of IaaS (Infrastructure as a Service) and PaaS (Platform as a Service), accelerating the subscription revolution.

As you well know, we have no shortage of local SaaS role models here in ANZ, the obvious ones being Atlassian and Xero, who are two of the largest SaaS companies in the world.

Benchmark your growth metrics against your peers

We hope this report gives you insights into how your peers perform, so you can benchmark your performance and improve your growth.

This report looks at:

- ARR growth, and the barriers that are inhibiting the growth
- Where customers reside (here or overseas), including customer type and primary channels to market
- Retention and expansion rates, the lifeblood of SaaS businesses

We also touch on two much-discussed trends:

- The rise of Product Led Growth as a go-to-market strategy
- The Flywheel concept for accelerating customer acquisition

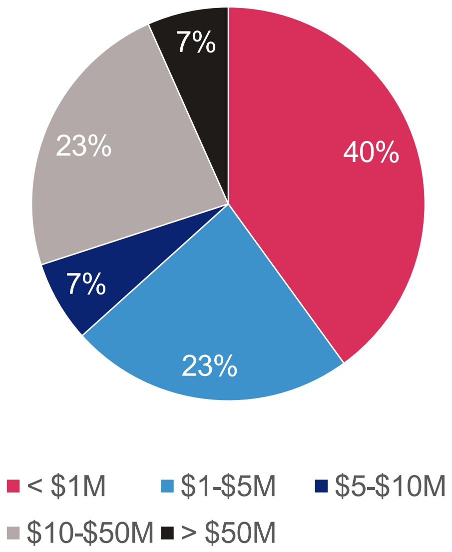
Huge thanks to all the participants who took the time to do the survey, your contribution is very much appreciated. Please share the report with your friends and colleagues, and spread the goodness.

Any feedback, please do not hesitate to get in touch.

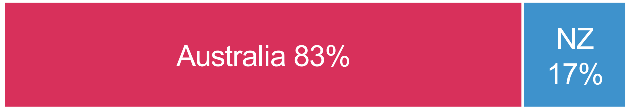
Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

Our survey respondents are a good representation of the local ecosystem

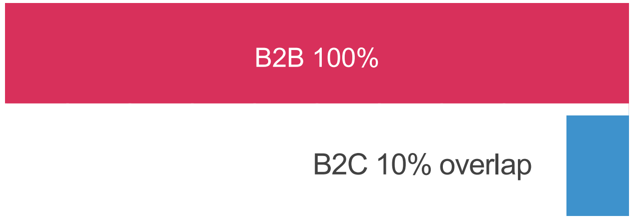
Distribution by
Annual Recurring Revenue (ARR)



Distribution by geography
(founding country)



Distribution by business type



Across ARR and business type, we seem to have a good representation of the market. We had hoped to get more NZ respondents – maybe next year!

Interestingly, the number of respondents in the $5-$10M ARR is few – we believe there are a few tipping points in business growth, one at around $5M (40 staff), and another at approx. $20M (150 staff). Growing past the $5M and $20M revenue barriers are challenging, as you need new skills, processes and different leadership to scale the business to the next level.

These growth tipping points are likely a combination of moving from one phase of growth to the next, and Dunbar's number – a tipping point for team size.

The five stages of business growth (Entrepreneur Mag)

Something weird happens to companies when they hit 150 people (Quartz)

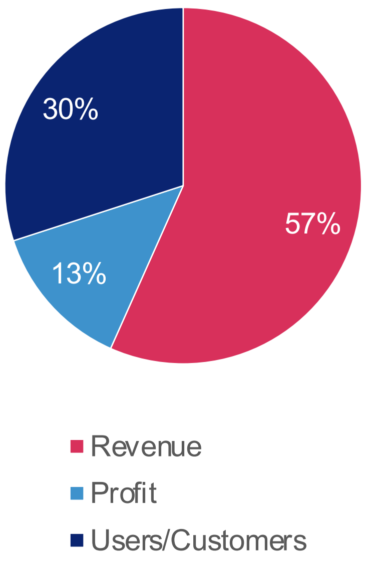
Why is Dunbar's number the most important number for rapidly growing businesses? (Pioneers)

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

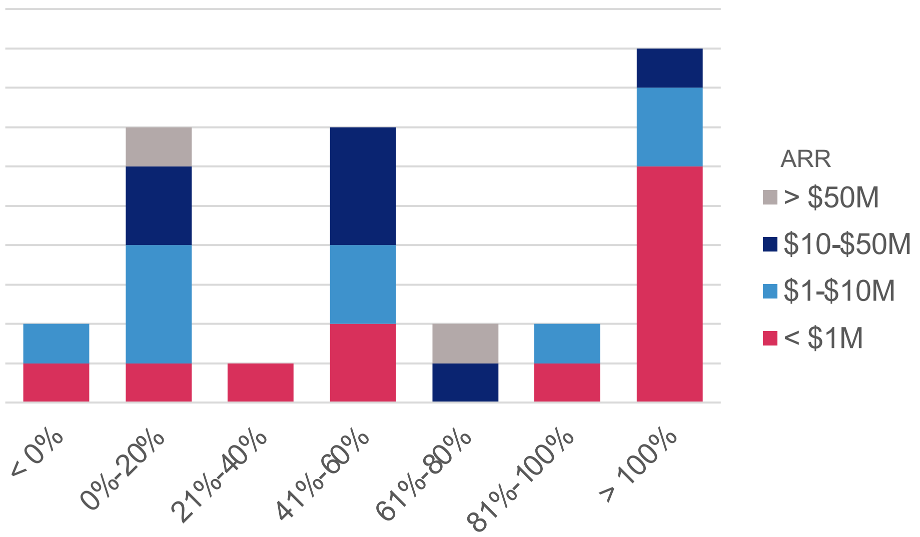
Growth rates and barriers to growth

There are plenty of rockets (>100% growth) and tractors (0-20%) down under

Most important growth metric



ARR growth in the last 12 months (%)



The VCs love the rockets, and tractors power the world beneath all the hype. High growth rates are not always a good measure of success.

Unsurprisingly, many companies growing greater than 100% are under $1M, likely in early stages of their growth. But don't let that stop you dreaming big, we have AU & NZ companies with $10-$50M ARR still growing at over 100%!

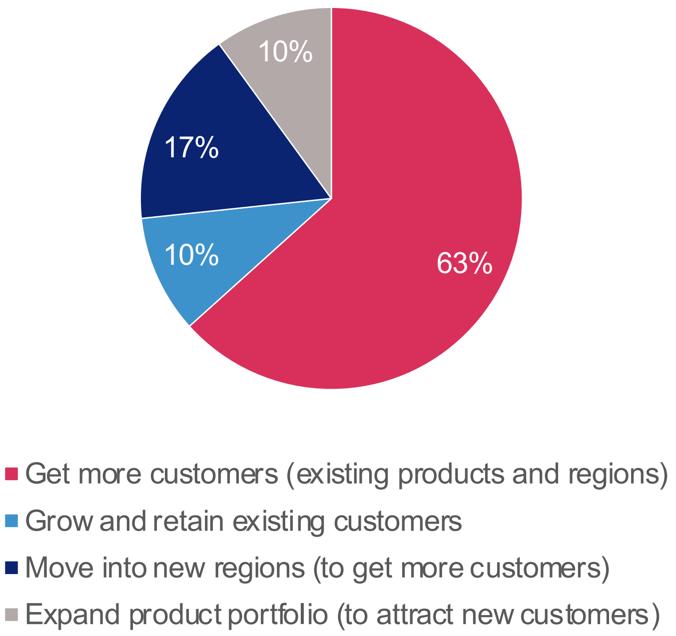
30% of the companies surveyed use Users/Customers as their primary metric, indicating they are well funded and are going after market share, not profitability, to win.

Revenue is the dominant measure of top line growth, but beware, it can often overshadow underlying problems if not looked at in conjunction with profit, CAC, retention, or running costs etc. Always track multiple metrics to measure the health of your business. Top performance metrics for subscription businesses (Profitwell)

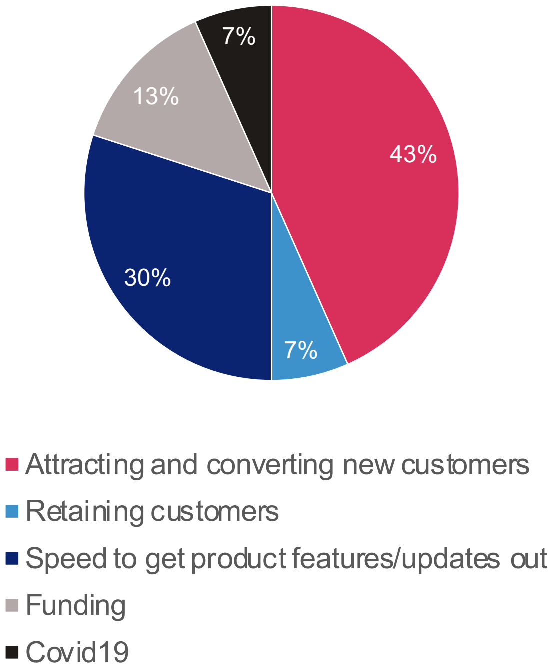
Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

Attracting and converting more customers is the most significant opportunity and barrier to growth

Greatest opportunity for growth in the next 12 months



Greatest barrier to growth in the next 12 months



Our respondents say getting more customers is overwhelmingly the dominant opportunity for growth, indicating most companies still have growth in their existing market/product suite and are not looking to other growth levers like new regions or product expansion.

Surprisingly, Covid was not a significant barrier to companies surveyed. Speed to market and customer acquisition are the main barriers to slower than wanted growth.

For those considering growing outside Australia and NZ, here's an excellent place to start: How to prepare for global expansion.

For most companies surveyed, retention and expansion of existing customers is not a primary growth lever. However, we would argue that could be a missed opportunity – growing existing customers can be more than four times less expensive and less effort than attaining new ones.

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

The new secret sauce to accelerating customer acquisition: The Flywheel as a growth tool

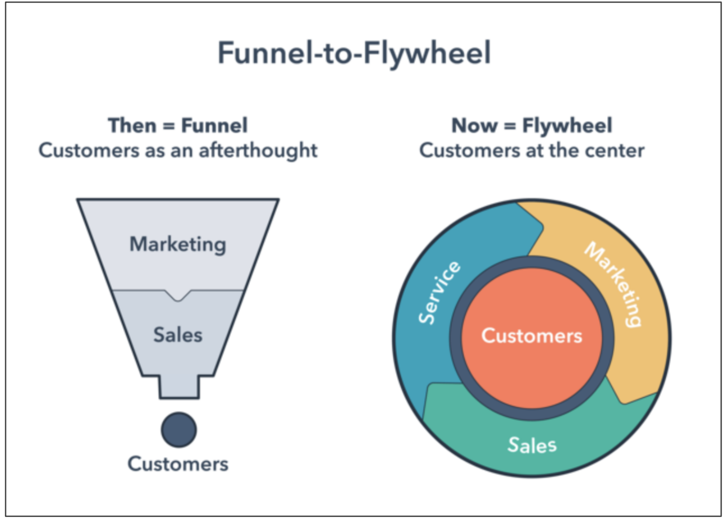
In 2018 Hubspot declared the traditional marketing funnel dead, and introduced The Flywheel, a more comprehensive, unified way of representing the forces affecting a company's growth. The Flywheel is a model that puts the customer at the centre and demands the continuous improvement of the experience across the entire customer lifecycle.

With the flywheel, you use the advocacy of your happy customers to drive referrals and repeat sales. Your business keeps spinning and building its own momentum.

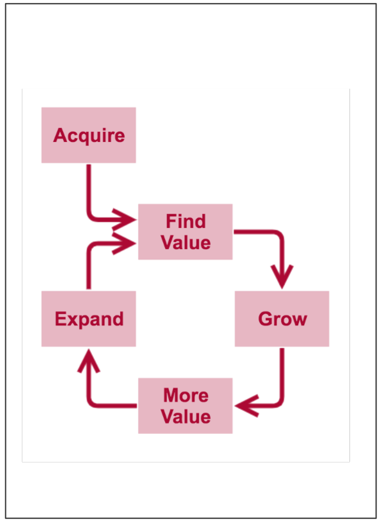
The Flywheel model can provide a massive advantage for businesses, because they aren't the only ones helping their business grow — their customers are helping them grow as well.

The flywheel helps eliminate friction and reduce awkward handoffs between teams. In the funnel model, customers are often transferred from marketing to sales to customer service which often leads to a disjointed experience.

Have you adopted the Flywheel as a growth tool?



Source: Hubspot



Source: Profitwell

Learn more about the Flywheel:

How the flywheel drives business growth and customer delight (Hubspot)

The Product-Led Growth Flywheel (productled.org)

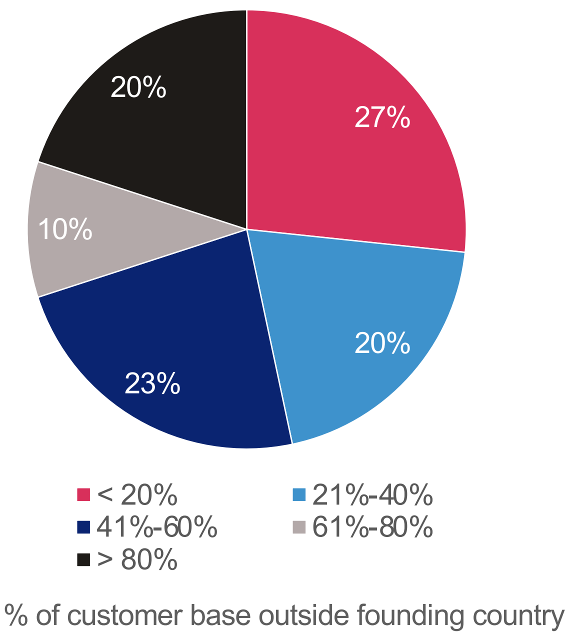
The Flywheel effect (Jim Collins – who originated of the idea in his book *Good to Great*)

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

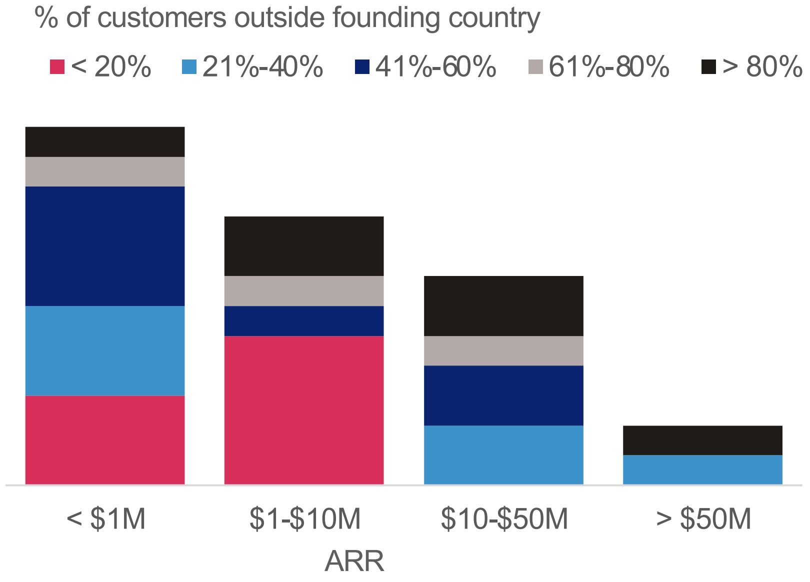
Acquiring customers for scale

You don’t need to be a global business to be big, even in AU & NZ

Customer base outside founding country i.e. not in AU/NZ (%)



Customer location by ARR



We have companies doing over $50M ARR without the majority of their customers being overseas. Don't be too quick to go to new markets when there is still untapped opportunity in the market you currently serve.

Companies with less than 20% of customers overseas, are under $10M revenue and have no self-service channel, implying you might need to expand into new markets and have a self-service option to grow past $10M, depending upon your industry.

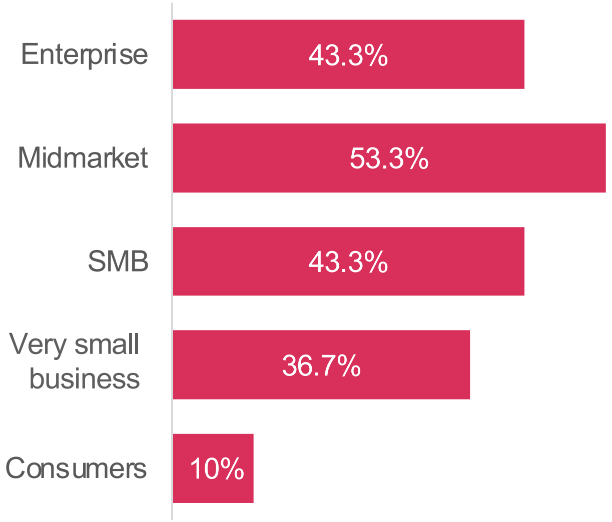
…and ditch that small poppy thinking – it’s not evident here that AU & NZ companies don’t **think big**. Both small and large companies are going after global markets.

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

Self-service is essential to all customer types and sizes, including Enterprise

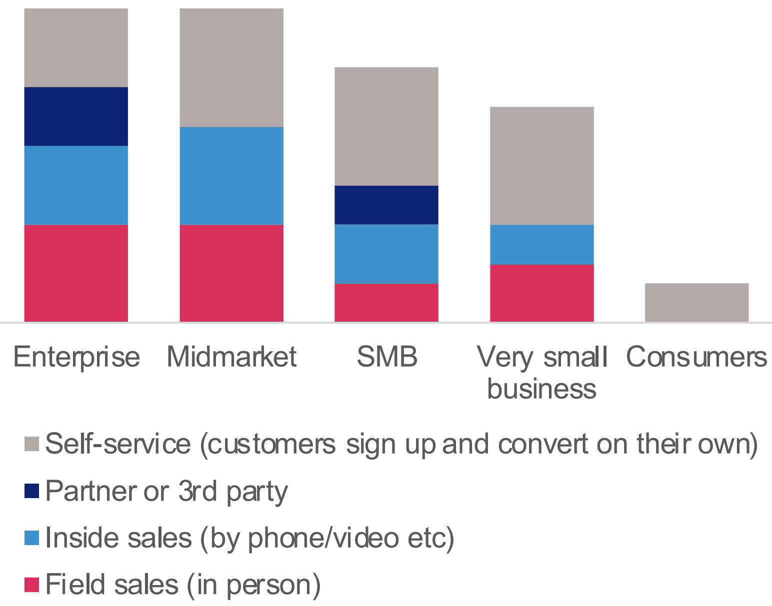
Target customers

Note: companies may target more than one customer type (hence % don't add up)



Enterprise (>1,000 employees)
Midmarket (100-1,000 employees)
SMB (20-100 employees)
Very small business (<20 employees)
Consumers

Target customers by sales channel



Blackbird Ventures claim digital sales and self service are a core characteristic to their most successful companies. Atlassian is always our favourite example of this, claiming to have no salesforce at all for their first few years.

Some SMB and very small businesses are using Field Sales, which is likely to be an unsustainable channel – generally, we recommend focusing on self-service and inside sales when targeting smaller companies.

Your product and target customer will heavily influence your best channels to go to market.

But the less reliant you are on your marketing and sales channels, and the more the product sells itself, the lower your CAC (customer acquisition cost), the higher your profit, and the greater your organic growth rates.

This essentially encapsulates the idea of Product Led Growth, coined by OpenView Venture Partners.

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

Product Led Growth: A go-to-market strategy that enables scale, at speed

Product Led Growth (PLG) is a go-to-market strategy where your product becomes the core driver of acquisition, expansion, and retention. PLG is the ultimate customer-centric business model, where usage and advocacy are the critical drivers for success. Read more about PLG at OpenView or ProductLed.

You have no doubt experienced PLG if you've used Calendly, Zoom or Slack recently.

Let's look at basic characteristics of PLG, and why they drive scale, at speed.

Why PLG is good for your customers

1. It's free and easy to get started. In many cases you'll use the product for the first time via an invitation from someone else (Zoom or Calendly). This virality is the key to scale at speed.
2. It has a low barrier-to-entry – you don't need to read a manual or have a sales person walk you through the product to get started. You can sign up and onboard yourself with minimal effort. And don't think this doesn't apply to your B2B product – 75% of B2B buyers would rather self-educate than learn about a product from a sales representative, according to Forrester.

How PLG enables you to scale faster

Product virality, and making it free to get started, significantly widen your funnel of pre-qualified leads. Instead of prospects filling out your competitor's demo requests, they're already evaluating your product on their own.

While your competitors are busy hiring new sales reps for each region, you can focus on improving your onboarding process to service more customers around the world in a fraction of the time.

By having your prospects onboard themselves, you can significantly reduce their time-to-value, and thus increase the speed of conversion into a paying customer. With far less effort from your sales and success teams, increasing your Revenue per Employee and ultimately, profit.

The benefits of PLG don't stop there. According to OpenView, product-led businesses are valued more than 30% higher than the public-market SaaS Index Fund.

Product Led Growth is a strategy that will save you from inevitable rising customer acquisition costs and decreasing willingness to pay for your product. PLG has proven to deliver scale, at speed for many SaaS businesses.

Should you be considering PLG as your go-to-market strategy?

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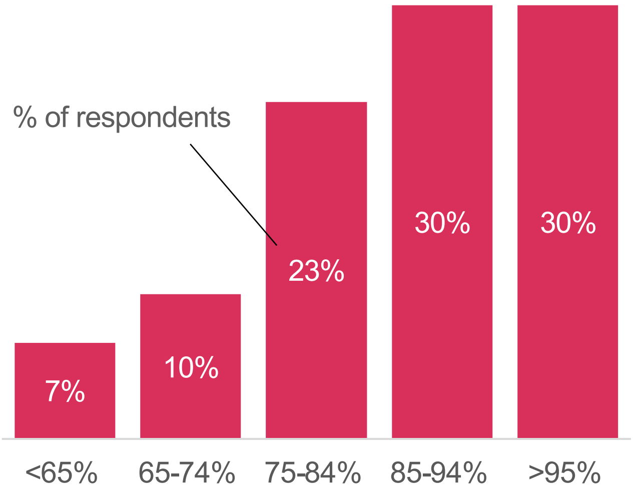
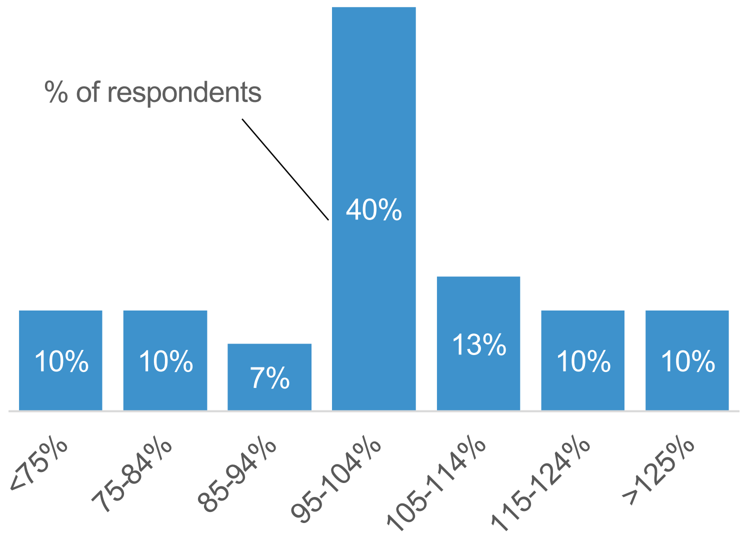
Retention & expansion - the lifeblood of SaaS

Growing existing customers is the defining factor for sustainable SaaS growth

Customer retention rate
(% of customers that stay – i.e. don't churn)



Net dollar retention rate
(% of revenue retained and/or grown)



Net dollar retention rate =
(Starting ARR + expansion - downgrades - churn)
/ Starting ARR *100

Retaining existing customers is essential to growth. Sustainable growth in SaaS doesn't come from new customers; it comes from existing customers.

Imagine if you could offset your churn with expansion (up-sell and cross-sell), and you could grow your business without relying on new acquisition.

Profitwell claim 30%+ of your revenue should be expansion revenue. As an example, 76% of Salesforce's incremental revenue is from existing customers.

30% of our respondents seem well on their way to retaining customers and capitalising on expansion. For others just getting started, or needing to improve retention, check out these reports:

A comprehensive guide to churn (Profitwell)

How to calculate churn & retention (The SaaS CFO)

Three phases of the SaaS revenue model (Sherlock)

6 SaaS Retention Strategies to Maximize Growth (Profitwell)

Source GoBig: 2020 SaaS Growth Survey AU+NZ. Data capture November 2020 - January 2021 N=30

Are you ready for scalable, sustainable growth?

Ensure you have the metrics and the toolkit to accelerate your growth

- ❑ Are you tracking all the right metrics to understand the overall health of your business – not just revenue?
- ❑ Is your ARR growing at >20%?
- ❑ Are you maxing out your most significant opportunity for growth?
- ❑ Are you actively addressing your most significant barrier to growth?
- ❑ Is it time to look to new markets for growth?
- ❑ Do you have the right channel mix for effective and efficient (i.e. self-service) acquisition?
- ❑ Have you considered Product Led Growth or the Flywheel to help accelerate your growth?
- ❑ Do you have > 85% retention?
- ❑ Is your net dollar retention rate (expansion) >120%?
- ❑ And are you having fun along the way?!

Wishing you great success to grow your business, take on the world, and go big!

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About GoBig

GoBig helps organisations grow - whether that be understanding your market, co-creating your growth strategy, defining your customer and product strategy, or improving acquisition and retention. We work with you to articulate your aspiration and the outcomes you strive to achieve.

We specialise in SaaS and subscription businesses, including established organisations migrating to cloud and subscription-based products and services.

Areas of expertise

- Growth via new markets, products, services, ecosystems, or partnerships
- Customer and product strategy
- Subscription pricing and monetisation
- Customer success, retention and expansion
- Advisory Board establishment and membership

About the author

Jeni Oye is a pioneer & entrepreneur, always that the forefront of change.

She has run her businesses and held executive positions in SaaS companies and global & boutique consulting agencies.

Jeni has deep expertise in strategy, product and customer experience, and a passion for SaaS – can you tell?

Want to chat?

Call Jeni to chat about all things growth and SaaS

+61 (0)404 421 448

bebold.gobig@gmail.com

Stay in touch

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Thank you!

Participate in the 2022 SaaS Growth Survey

If you'd like to be notified about the 2022 SaaS Growth Survey, or would like to participate, just drop us an email at bebold.gobig@gmail.com

Send some feedback

We would love to hear any feedback on the report, any requests, or anything at all! Just drop us an email at bebold.gobig@gmail.com

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Jeni Oye
CEO and Growth Strategist @ GoBig
bebold.gobig@gmail.com
+61 404 421448
https://www.linkedin.com/in/jenioye/

https://www.gobigadvisory.com