

Case Study for SaaSafras

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Background

SaaSafras is a thriving plant care operator that was recently acquired by Planterbox Inc. The Company's new owner has a primary objective of increasing their revenue, and also decided to maintain the SaaSafras name, which is good for existing customer retention due to brand recognition.

This acquisition is accompanied by the existing 20 people team that span across New Business Acquisition (NBA), Account Management (AM) and Customer Support (CS). This cross functional team is efficient enough to get the job done but they lack specialization, as all individuals can perform all roles.

The new strategy aims to organize team members to perform one core role at a time, with the ability to switch roles at the start of a new month without a loss in productivity.

Objective

As the new CEO of SaaSafras, I have been tasked with maximizing the run rate revenue 12 months from now (revenue in month 12 only, not cumulative). I am responsible for figuring out the best possible way to distribute the 20 people team across the 3 specialization areas (NBA, AM, CS) for the next 12 months, and strategize towards generating the maximum amount of revenue in month 12.

Available Team Specifics and Assumptions

Some essential performance indicators and metrics for SaaSafras have not changed as a result of the acquisition. Mentioning them below, along with few other hypotheses that were not provided, and assuming month 1 is January and month 12 is December.

Account management = 25 existing customers maximum per manager

New Business Acquisition (NBA) = 5 new customers per month

Each (1) internal support agent = 1 percentage point increase in CSAT leading to 15% relative decrease in churn

Support Organization Customer support's CSAT (Customer Satisfaction) = 70% annual average

Current customers = 1000

Organic customer growth = 25 new customers per month

Monthly customer churn rate (Baseline) = 10%

Product price = \$100 per month per customer (for core product features)

Assuming the standalone support organization is responsible for the entire 70% of the department's customer satisfaction rating and some customers opt-in for a higher subscription, hence increasing revenue from that group of customers. Furthermore, account managers reduce churn for the customers they manage by 5% relative to baseline (10%) churn, and they increase revenue by 25% for all customers they manage.

Strategy

My core focus will be on increasing customer acquisition by prioritizing the New Business Acquisition team which would simultaneously increase revenue, given that factors like churn and CAC remain constant. In addition, I would increase the product offering and pricing tier, while improving support and account management to boost customer satisfaction, increase retention, and decrease relative churn.

In January, I will assign 15 team members to acquiring new businesses, disregarding account managers because the assumption is that every active member is currently paying the \$100 per month. The remaining 5 team members would assist customer support to reduce the churn rate.

In December, an enterprise subscription tier will be released with better features including the multiple login options in the image below, for a premium fee of \$1000. The number of team members assigned to acquiring new businesses will be reduced to 10, customer support will remain at 5 to reduce churn caused by the price increase. The remaining 5 team members will manage the accounts of our enterprise customers, offering discounts on newly introduced annual subscriptions to increase customer lifetime to a minimum of 12 months.

Success Metrics and Data Centric Considerations

What does success mean to me? To avoid scope creeping, I will measure and define success using 2 indicators, the customer churn rate and the run rate revenue in month 12 (compared to previous month(s)). Success will be measured Month-Over-Month since members of the team can change departments at the end of each monthly sprint without a loss in productivity.

In the absence of qualitative data from customers at this time, I will drive adoption using quantitative data provided for customer support which shows that 1 support agent leads to a 1 percent point increase in CSAT, therefore relatively decreasing the churn. 5 support agents would proactively increase the customer experience, providing self-service support to aid product stickiness.

The enterprise subscription experiment is dependent on a steady Month-Over-Month revenue for 11 months. This \$1,000 price tag will lead to an increased churn for the select group, provided that all new business acquisition in month 12 are enterprise customers. Assigning account managers to 9 enterprise subscribers each, with additional marketing responsibilities like seminars, and trainings to increase the retention of these high paying customers.

Proposed Concept

Month 1 - January

Total team members = 20

New Business Acquisition team = 15 (15 team members x 5 monthly acquired customers = 75)

Account management = 0

Support = 5 (1 support agent increases CSAT by 1 percentage point, 5 support agents increase CSAT by 5 points)

Churn rate baseline calculation: 15% (relative decrease in churn per percentage point) x 5 = 75%. A 75% relative decrease to baseline churn of 10% is 75% x 10% = 7.5%. This means a 7.5% reduction in the churn rate, that is 10% - 7.5% = 2.5% churn rate.)

New monthly customer churn rate = 2.5%

New Customer supports' CSAT (Customer Satisfaction) = 75% monthly average

If SaaSafra had 1000 customers before the acquisition, with an increase of 25 organic customers per month, and an additional 75 new customers from the New Business Acquisition, total customers in month 1 = $1000 + 25 + 75 = 1100$ customers.

2.5% churn rate of 1100 customers = $1100 - 28 = 1072$ customers

Revenue in month 1 = $1072 \text{ customers} \times \$100 = \$107,200$

Run rate revenue for Month 1 - Month 11 = Revenue in certain month x number of months = $\$107,200 \times 11 = \$1,179,200$

Month 12 - December

Total team members = 20

New Business Acquisition team = 10 (10 team members x 5 monthly acquired customers = 50)

Account management = 5 (to manage the accounts of enterprise customers)

Support = 5 (unchanged)

Churn rate = 2.5% (unchanged for individual customers)

Churn rate = 10% (reverted to the baseline churn due to new product pricing for enterprise customers)

In month 12, SaaSafra launches an enterprise subscription that costs \$1000 for organizations, and assuming the 50 acquired customers are all enterprise customers.

10% churn rate of 50 customers = $50 - 5 = 45$ customers

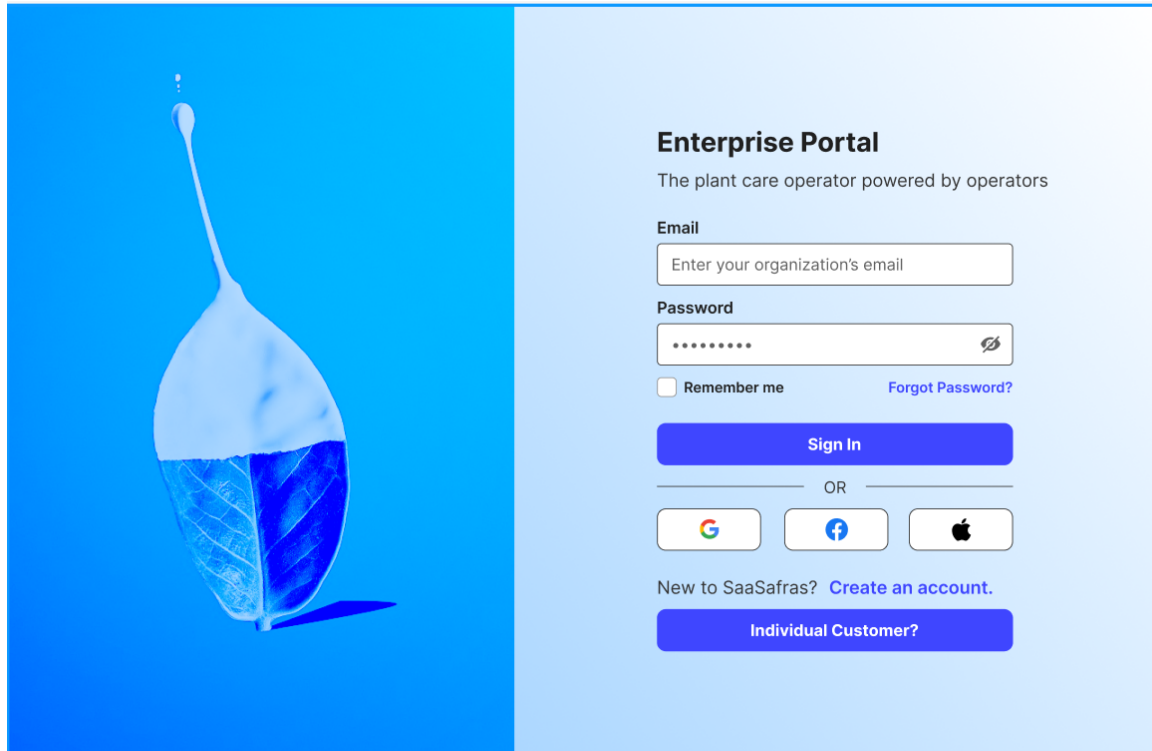
Revenue in month 12 (from enterprise customers) = $45 \text{ customers} \times \$1000 = \$45,000$

Individual customers in month 12 = $1000 + 25 = 1025$ customers

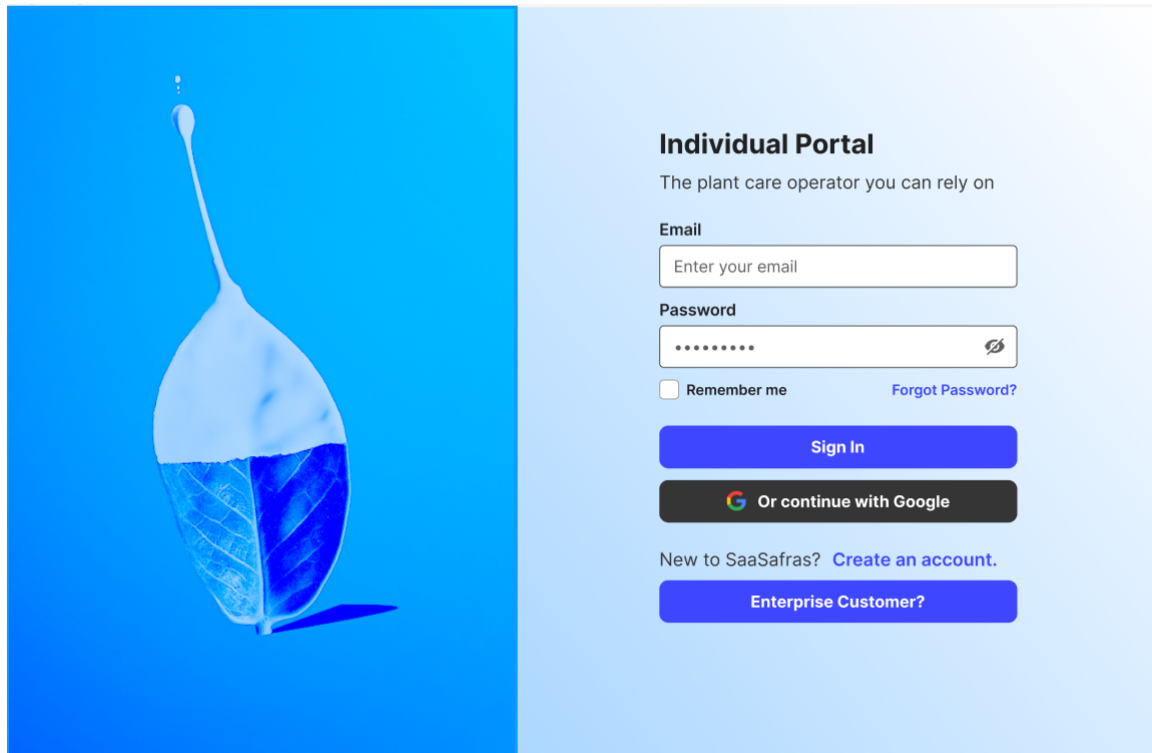
2.5% churn rate of 1025 customers = $1025 - 26 = 999$ customers

Revenue in month 12 (from individual customers) = $999 \text{ customers} \times \$100 = \$99,900$

Total revenue in month 12 = \$45,000 + \$99,000 = \$144,000



Figma image of the Enterprise portal login page for SaaSafras



Figma image of the Individual portal login page for SaaSafras

Case Study Goal

The primary goal is to maximize the run rate revenue 12 months from month 1. Assuming the MRR is \$107,200 for the first 11 months, based on the reduced churn and regardless of upsells. In month 12, the new pricing tier is introduced for enterprise customers at a premium of \$1,000, increasing the initial product price by 900% which leads to a churn rate of 10% (baseline).

The run rate revenue for month 12 is now \$144,000, calculated by adding the revenue from individual subscribers and the revenue from the new enterprise subscribers, taking into account the increased churn rate in the latter.

With a 34.3% increase in revenue compared to the first 11 months, my goal was achieved using this strategy. (This solution does not factor in the 5% reduction in churn by the account managers, and also doesn't include the 25% revenue increase for the customers they manage because it will entail calculating past month 12)