Why a poor professional services wrap in your SaaS business might be causing a 100% increase in churn!

5-min read

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In their race to get to market, many SaaS businesses focus their energies on designing, developing and delivering a fantastic solution with amazing features.

But although your product in all its glory is the 100% focus of your business, the reality for end users is very different. The product is likely just one of many bits of technology that they need to figure out and use, and they will quickly get discouraged if it doesn't deliver immediate value for minimal effort.

The Salestech space is a perfect example. The Gartner Technology's Impact on Seller Productivity Survey found that a massive 49% of sales professionals feel overwhelmed by the tech they are required to use; worse still, those overwhelmed salespeople were less likely to hit their targets.

Percentage of Sellers Who Feel Overwhelmed by Tech Required to Do Their Job

5%
Neither Agree/Disagree

49%
Agree

46%
Disagree
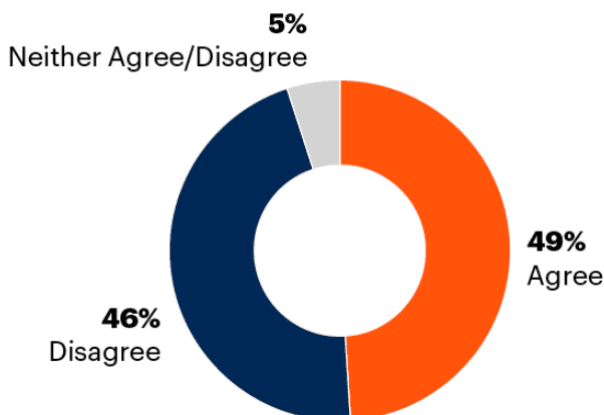
Faced with resistance from individual contributors, leaders are increasingly looking for ways to simplify the tech stack and regain control of their team's efficiency and effectiveness.

And the finance team – looking at low utilization numbers and no obvious boost to key metrics – are inevitably asking "Do we really need this?" when budgets are being set and when the contract re-sign comes around.

To put it at its simplest, the wonderful features of the product are not going to save the renewal if they aren't being used and they're not delivering value.
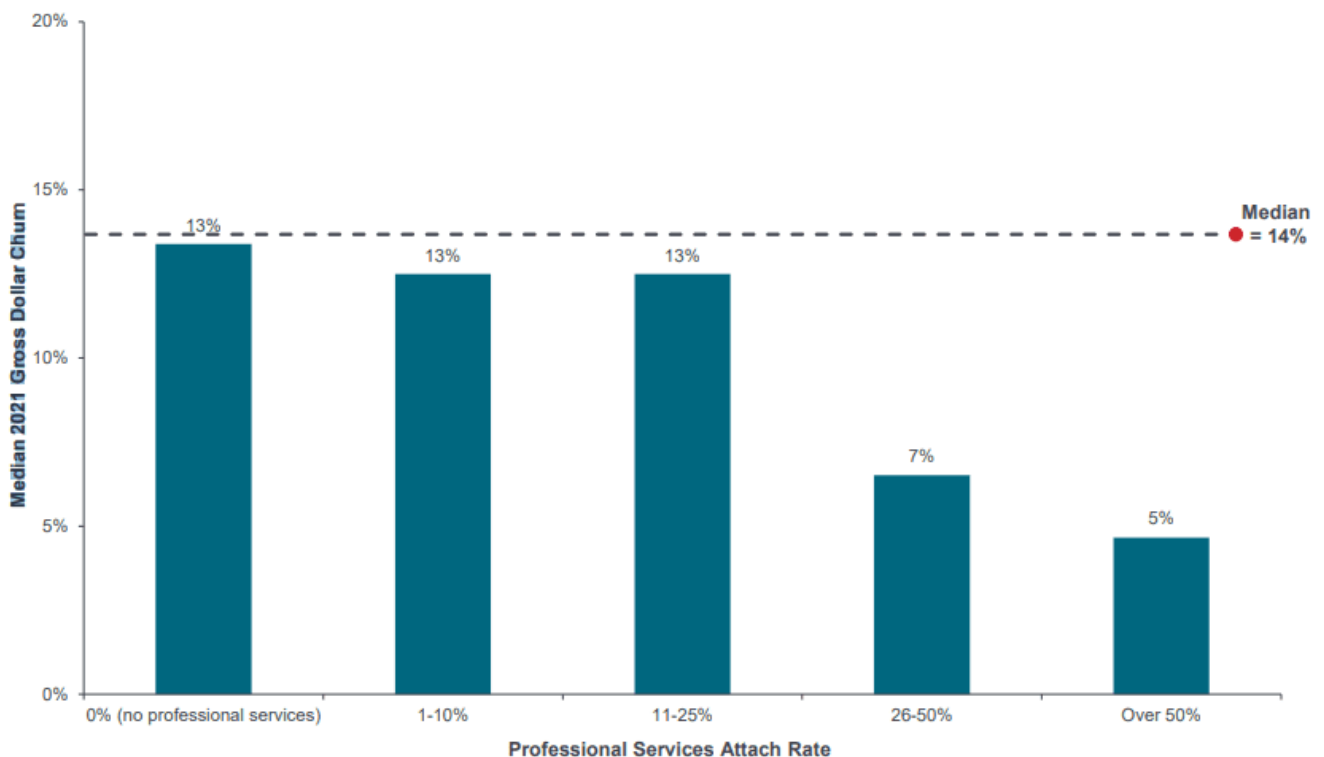
The professional services (PS) wrap

Statistics from the KeyBanc Capital Markets 2022 SaaS survey show that the median gross dollar churn percentage for clients of SaaS companies who have a 0% PS attach rate is 13%, whereas those with a 50% PS attach rate attract churn of only 5%.

The key tipping point however is around the 25% PS attach rate – with the churn rate staying stubbornly high at 13% for all those clients with <25%, but dropping down to an average of 6% for those with more than 26% PS attach.

ANNUAL GROSS DOLLAR CHURN AS A FUNCTION OF UPFRONT PROFESSIONAL SERVICES

2022 Private SaaS Company Survey

Excluding Companies <$5MM in 2021 Ending ARR

Median = 14%

Y-axis: Median 2021 Gross Dollar Churn (0% to 20%)
X-axis: Professional Services Attach Rate

0% (no professional services)	1-10%	11-25%	26-50%	Over 50%
13%	13%	13%	7%	5%

In SaaS, the Professional Services wrap is often seen as an integration partner or some similar technology partner who helps integrate disparate systems and data sets.

What's seldom considered is the **people change** associated with new platform adoption. And it's adoption and user engagement that makes your product really sticky – try prying a tool out of the hands of your top salespeople or customer success leads once they can prove that it's helping them better serve your clients or win more work.

If you can find a professional services partner or build the capability yourself to help facilitate the people change aspect of your deployment, and work to help your end users see the value in your service, this will, as proved by the KeyBanc survey, significantly reduce churn and improve revenue retention.

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Building a professional services capability

Building a PS business within your SaaS company is not straightforward; it requires specialist talent, systems, money and time, all of which are typically in short supply.

Instead consider expanding your Partner ecosystem to include not only technical implementation/system integration partners, but also partners who are already working with your clients or target market on people-oriented change and transformation.

These PS businesses could represent a productive extension of your existing team, strengthening their capability and presence in the market simultaneously.

This can truly be a win/win scenario.

When is the right time to consider a PS engagement?

It's not 30 days before the renewal!

To ensure maximum success with a PS engagement, consider how you might include this as part of your upfront deployment efforts for new clients – your tool may be the most intuitive out there, but you still need people to change their own habits in order to adopt it.
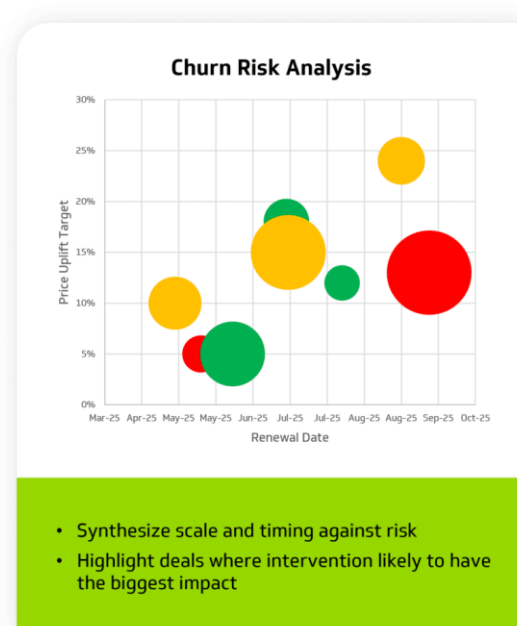
By having a PS wrap attached at this stage, you can manage a softer landing, with more hands-on support for your client and greater/deeper embedding of your solution in their workflow.

It's also important to remember that in most cases, the internal client change required to integrate your solution will cost 5x more than the client is spending on licensing your service in internal costs. So the total cost of failure could be more than significant enough for your client to justify the use of professional services to ensure its success.

For the existing client base, use all the different data sources at your disposal to identify and prioritize the risks:

HEALTH CHECK

Contract	Usage (90 day average)	% Change vs Prior Period	Last NPS	RAG Status
A1	417	-2%	47	
A2	5230	-17%	32	
B	7814	12%	65	
C1	978	8%	71	
C2	1581	4%	40	
C3	5233	19%	68	
D	25677	2%	35	
E	7209	-34%	39	

COMMERCIAL STATUS

Contract	Date	Price Uplift Target	Deal Size
A1	May-25	10%	100
A2	May-25	5%	50
B	Jun-25	5%	150
C1	Jun-25	18%	75
C2	Jul-25	15%	200
C3	Jul-25	12%	45
D	Aug-25	24%	80
E	Sep-25	13%	255

Churn Risk Analysis

Price Uplift Target vs Renewal Date

- Synthesize scale and timing against risk
- Highlight deals where intervention likely to have the biggest impact

If you can see falling usage, poor NPS/C-SAT scores and a significant pricing uplift target for the re-sign on a big contract, the sooner the intervention the better!

What's next?

Here are a few concrete steps that can help you tackle your churn challenge.

1. Take a dispassionate look at the first-year churn numbers and identify the common causes. Did your solution really land? How many users actively adopted it? What was the value delivered from the customer's perspective?
2. Look out into your market and see which PS businesses are operating in your space and could complement your service. Who might you add to your partner ecosystem to give you the PS wrap that would make a difference?
3. Engage early and invest up front. Where you can, build in great adoption from the beginning. Where that hasn't happened, identify the risk and act early.
4. Make sure your go-to-market teams understand the value of PS attach and incentivise them to ensure its uptake.

To discover more about a sales transformation journey for your SaaS business, let's talk growth.

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