Recession Proof Your Software Business Model

July 12, 2022
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APPLIED FRAMEWORKS

Agenda

- The Problem to be Solved
- Strategy 1 – Term Renewal Acceleration
- Strategy 2 – Segmented Term Renewal Acceleration
- Strategy 3 – Multi-Term Renewal Acceleration
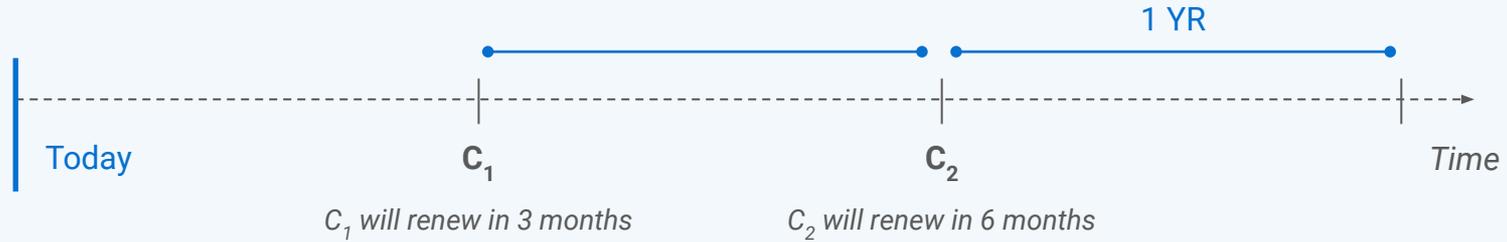- Strategy 4 – Pre-Term Development
- Q&A

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Situation

- "Global growth projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023"*

- 2022 inflation of 5.7% projected in advanced economies*

- "Business demand has weakened as well, largely due to fears that monetary policy will stifle economic growth."**

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*International Monetary Fund
**Deloitte

Problem Statement

- Current conditions indicate a potential drop in new sales and simultaneous increase in churn throughout the rest of 2022. The combination of decreased sales and non-renewals could significantly decrease revenue and reduce profit.

- **What actions can Product Leaders take now to mitigate the risk of a recession?**

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Term Renewal

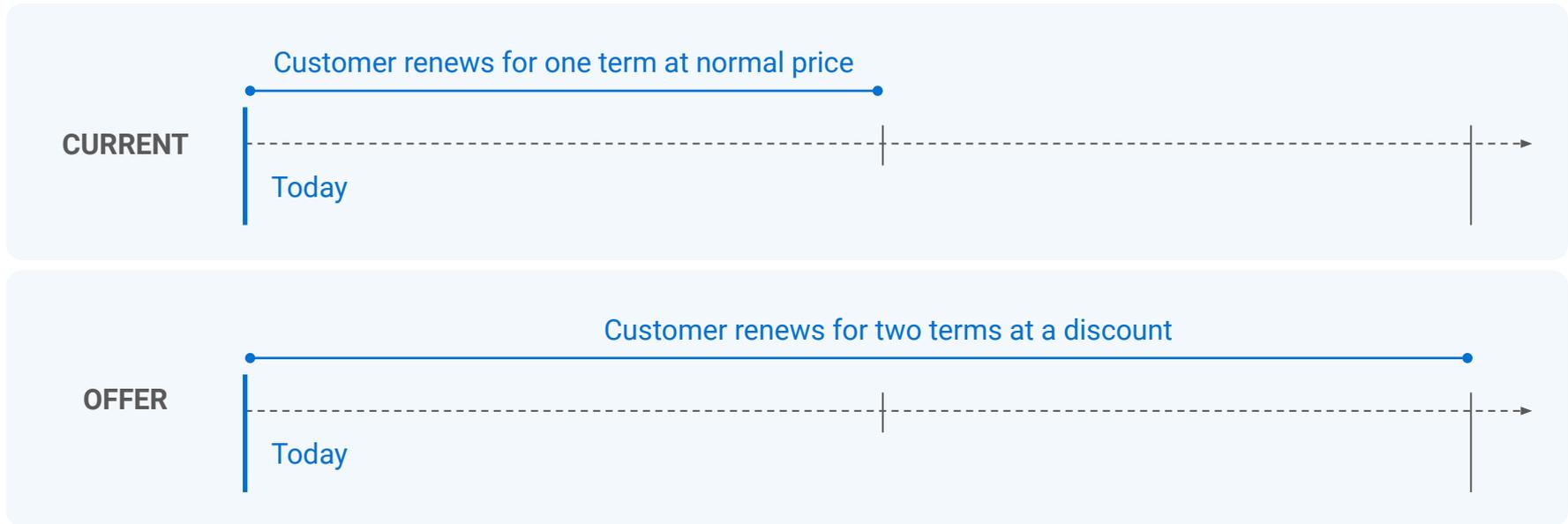1 YR

Today

C_1

C_2

Time

C_1 will renew in 3 months

C_2 will renew in 6 months

Pull the revenue forward

Keep the renewal term

Today

C_1

C_2

Time

Segmented Term Renewal

'Develop a more effective promotional campaign by segmenting users.'

Power Users *Uses product multiple times a day*	25%	Of total users	Early Renewal Discount	—
Frequent Users *Uses product 2+ times / week*	65%	Of total users	Early Renewal Discount	10%
Infrequent Users *Uses product 1+ times / month*	8%	Of total users	Early Renewal Discount	25%
Lost Users *Have not used product recently*	2%	Of total users	Early Renewal Discount	50%

Multi-Term Discount

'Buy now and get 2 terms at 10% off!'

CURRENT

Customer renews for one term at normal price

Today

OFFER

Customer renews for two terms at a discount

Today

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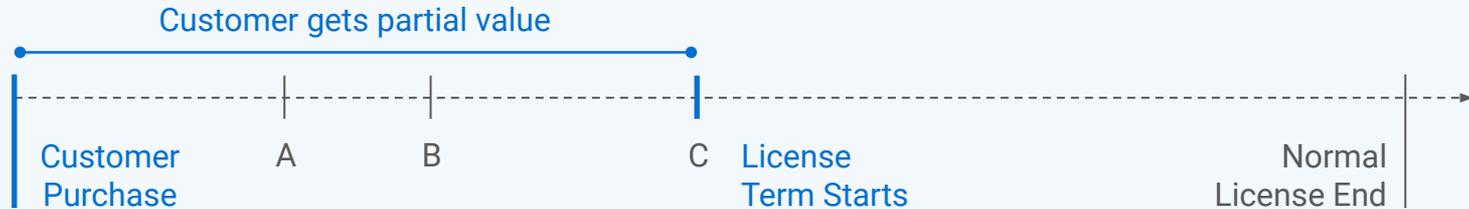FRAMEWORKS

Pre-Term Development

"I like your product. I will buy it when you've added A, B, and C features"

Problem: You need the revenue to build A, B, and C features.

Solution: Buy our product now. You can use it immediately and the license term will start when A, B, and C features have been delivered.

Customer gets partial value

Customer Purchase	A	B	C	License Term Starts	Normal License End

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Tactics

- Model the current state
- Model the impact of increased churn
- Model the response to the offer
- Calculate the expected results of the offer
- Communicate the offer and measure results

What questions can I answer?

Thank you!

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