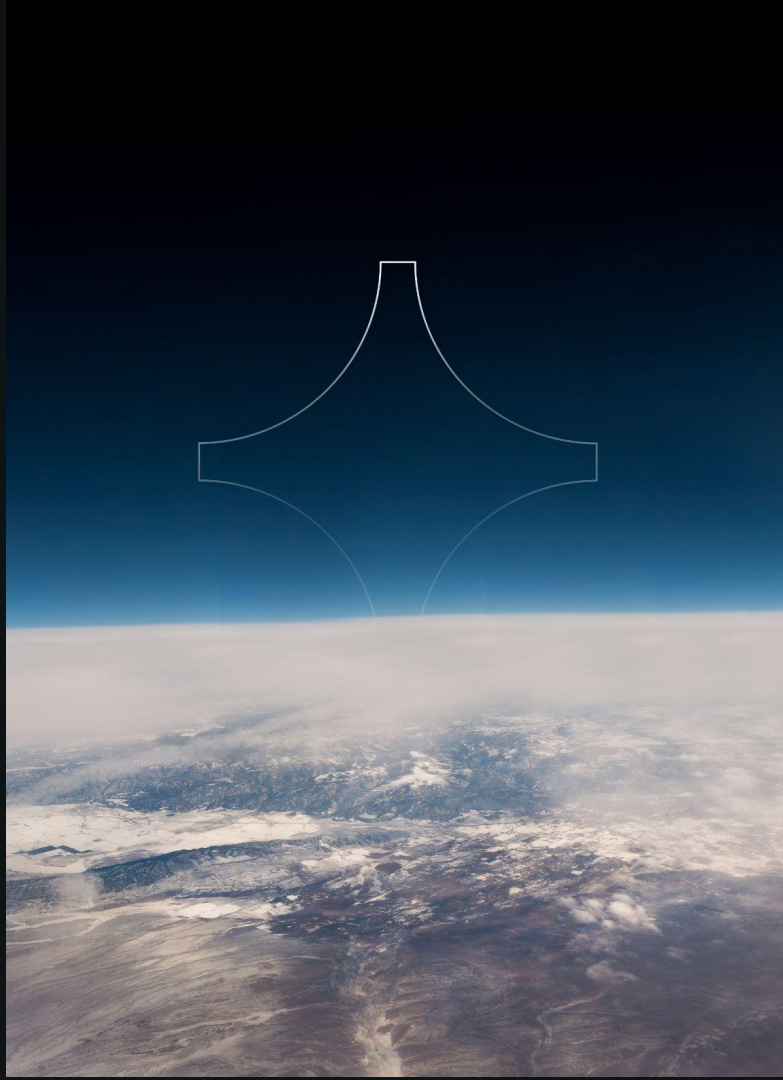




2023 Wrap-up: Benchmarks from 34,000+ companies



paddle



Stephen Ngo

Metrics & Market Research, Paddle
Former Head of Growth, ProfitWell

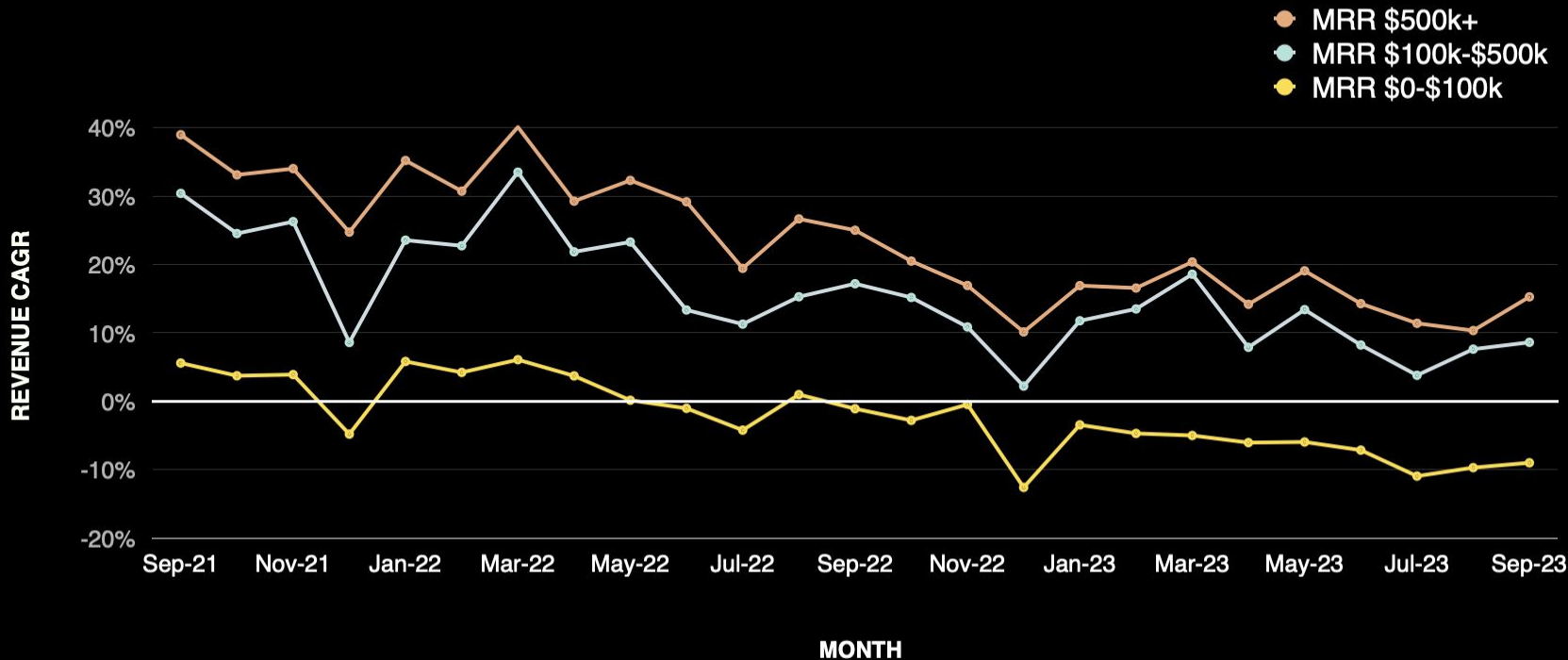
You know it's coming:
Growth is much slower in SaaS.

2023 SaaS revenue growth has slowed to 7-8%



Startups were hit much harder.

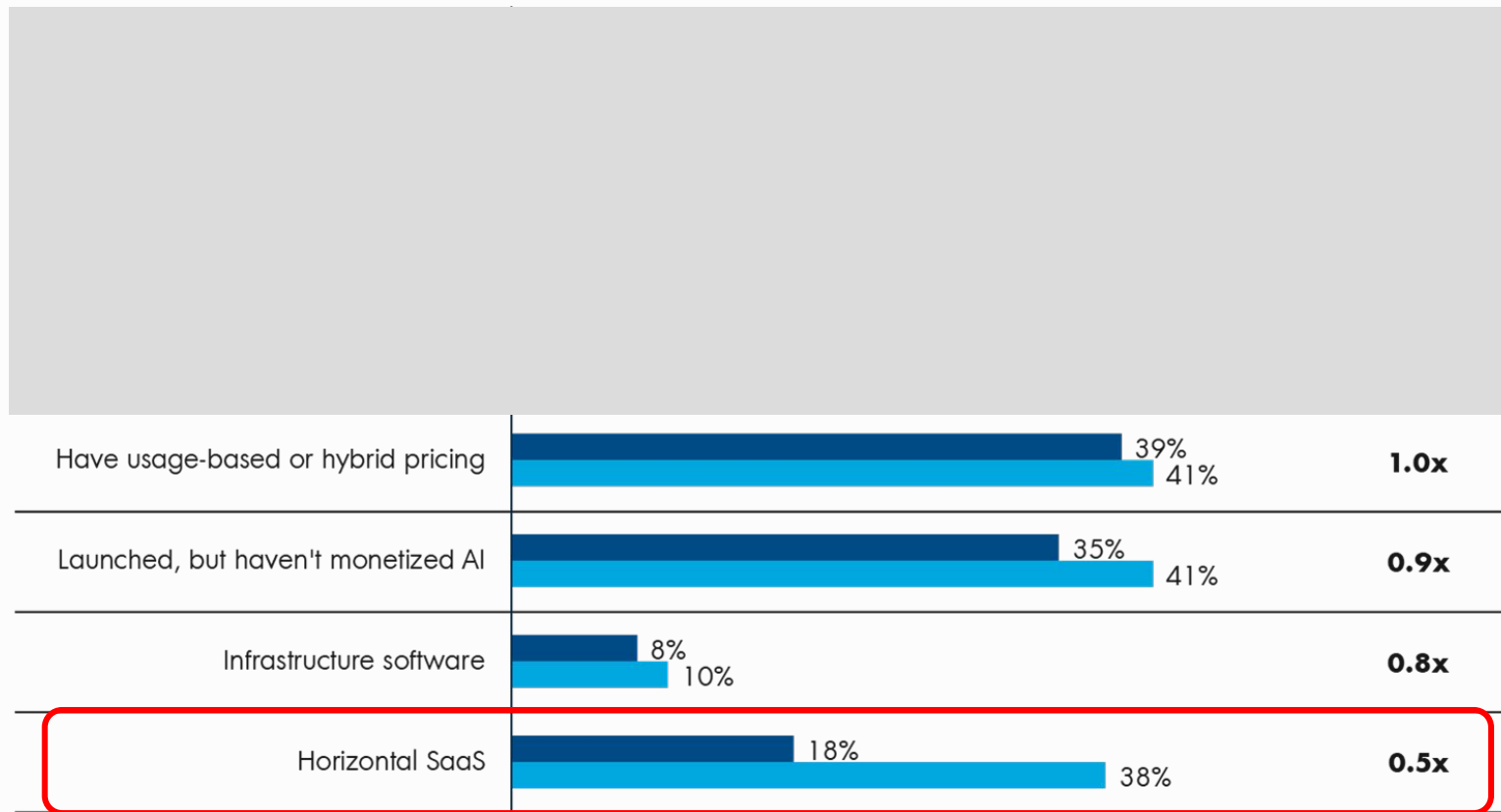
Annualized Revenue Growth % by Size



Horizontal SaaS is underperforming.

WHAT INFLUENCES BEING AN OUTLIER

■ Share of outliers ■ Share of non-outliers

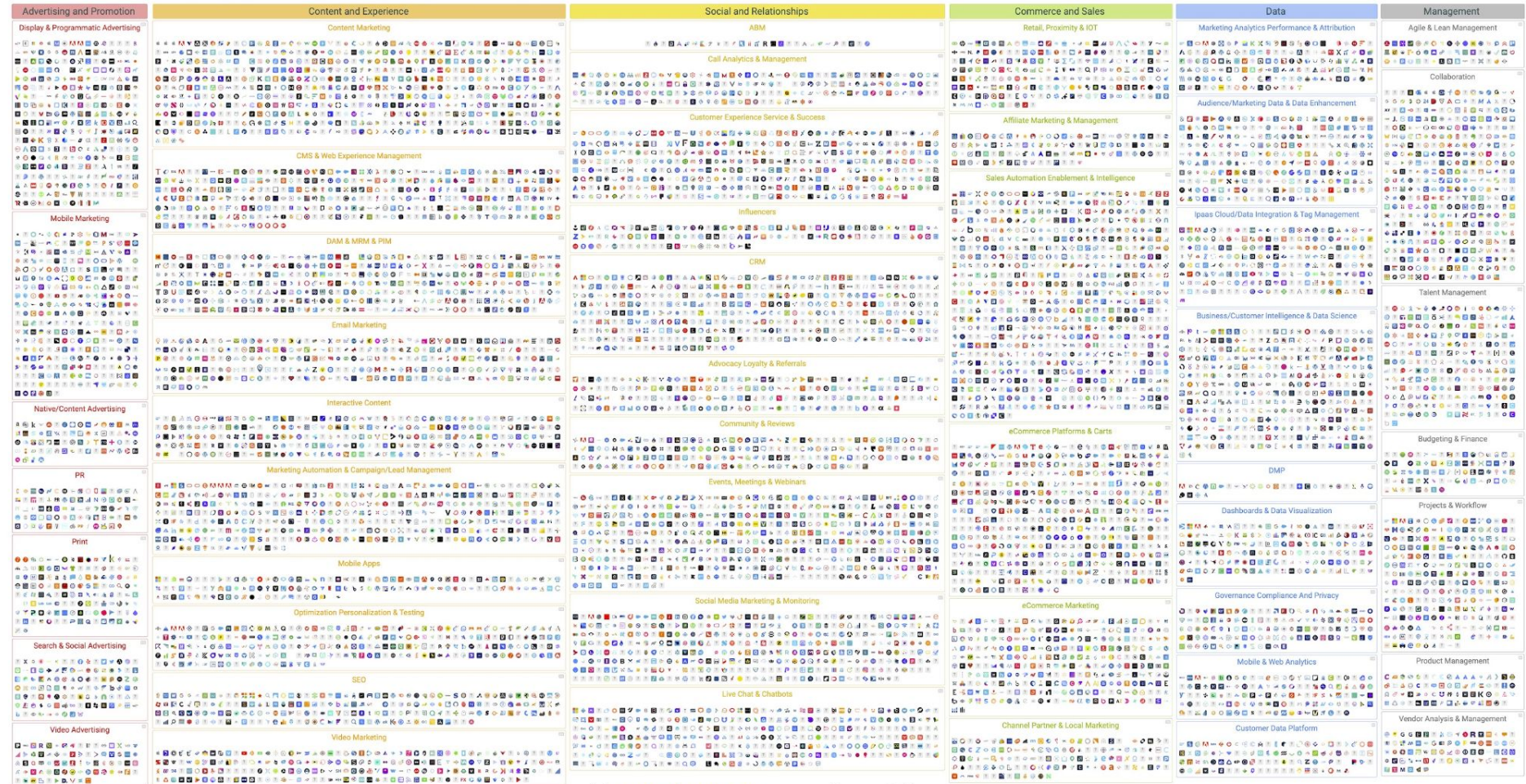


Those who sell to **early adopters** have slowed down the most:

- SMB and Prosumer
- Horizontal SaaS
- Selling to other SaaS

What's happening here?

Saturation.



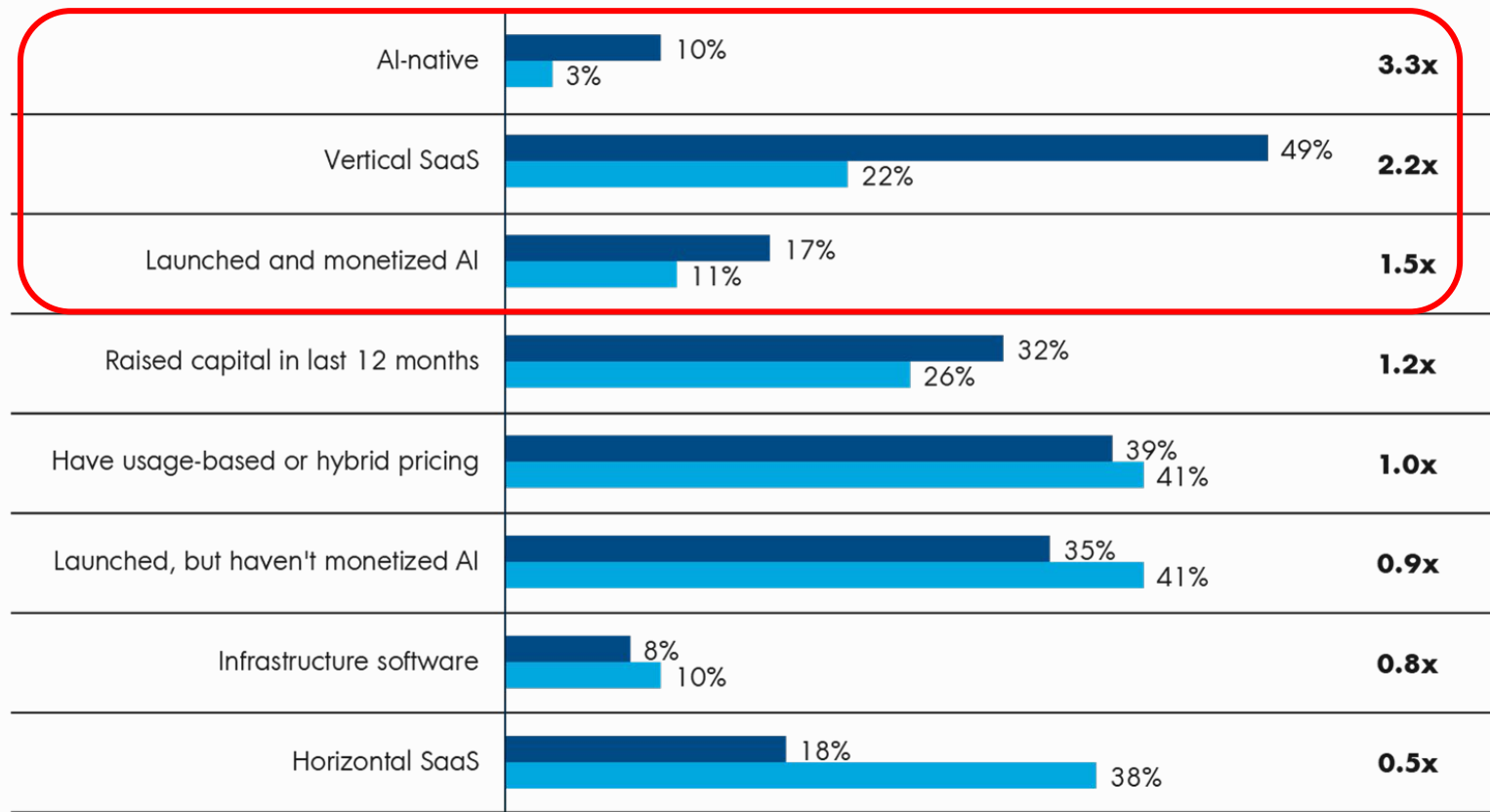
visit martechmap.com to search, sort & filter

But there are pockets of resilience.

Vertical SaaS and AI-native products are outperforming.

WHAT INFLUENCES BEING AN OUTLIER

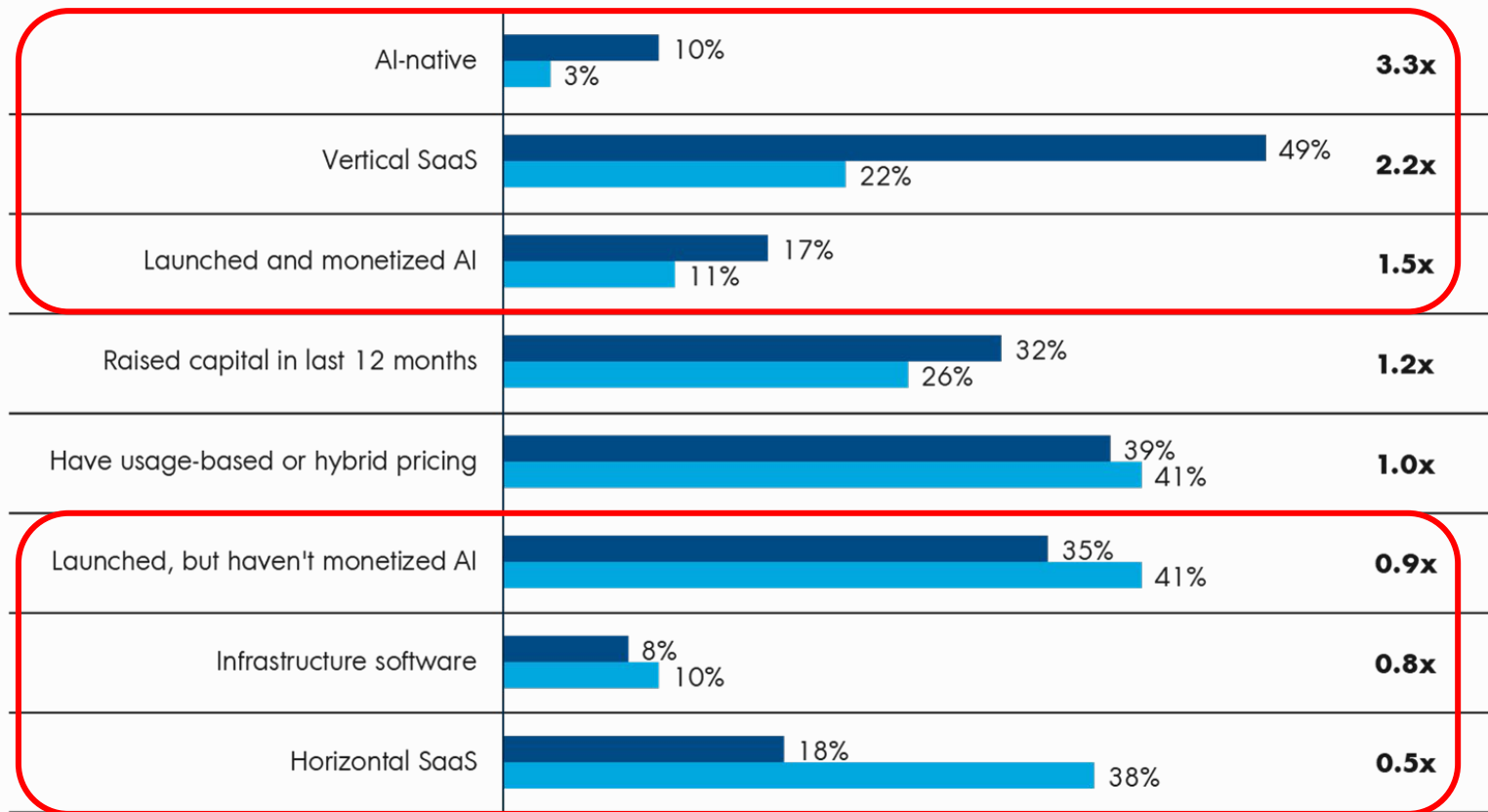
■ Share of outliers ■ Share of non-outliers



Companies that **monetize AI** as part of their core product are growing faster.

WHAT INFLUENCES BEING AN OUTLIER

■ Share of outliers ■ Share of non-outliers

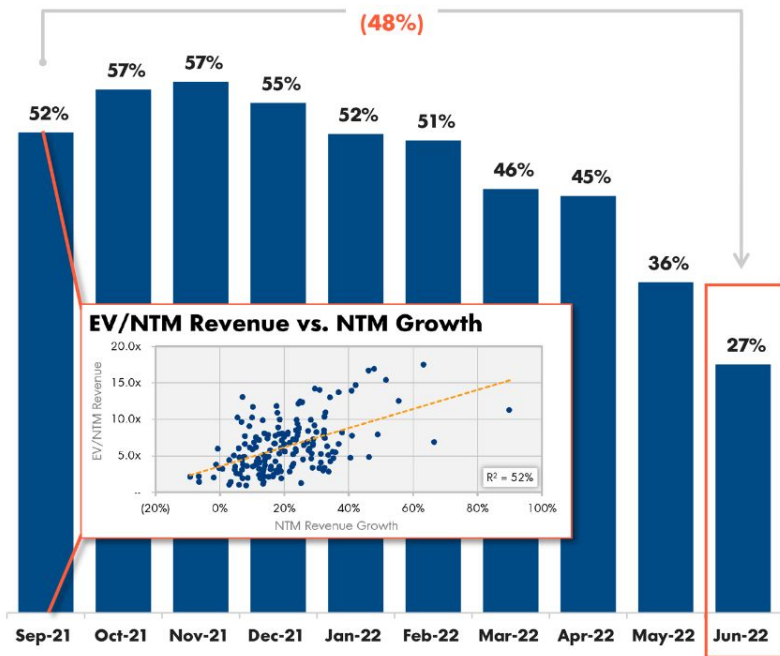


Companies that take part in “AI washing”
don't perform better.

Investors value **efficiency** over growth.

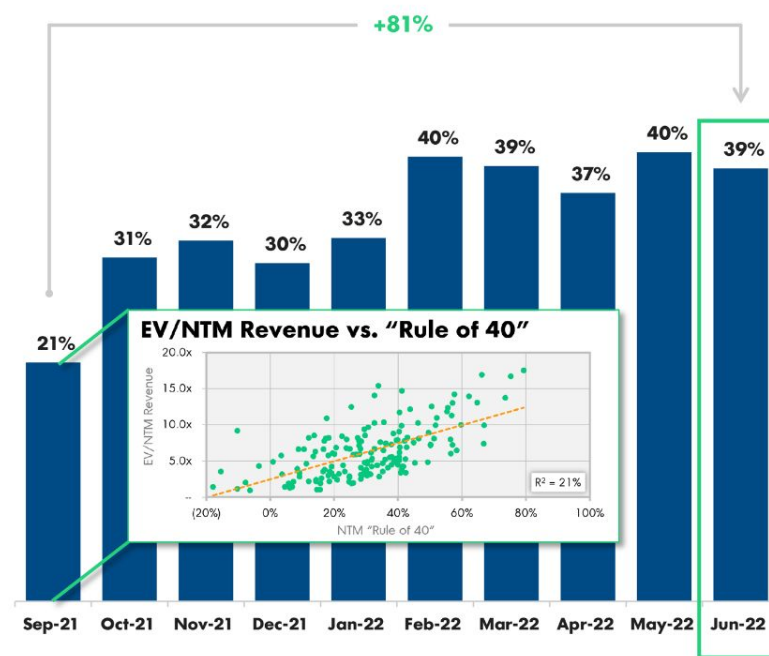
VALUATION EXPLAINED BY "NTM GROWTH"

Historical R-Squares⁽¹⁾



VALUATION EXPLAINED BY "RULE OF 40"

Historical R-Squares⁽²⁾



Note: 1. R-Square of EV/NTM Revenue regressed against NTM Revenue Growth Rate. 2. R-Square of EV/NTM Revenue regressed against NTM "Rule of 40".

Source: Company filings and Pitchbook as of 06/15/22.

In a slow investment market, you must find **levers to grow** without heavy capital.

Your goals are:

1. **Survive** on limited capital
2. Find a path to **profitability**

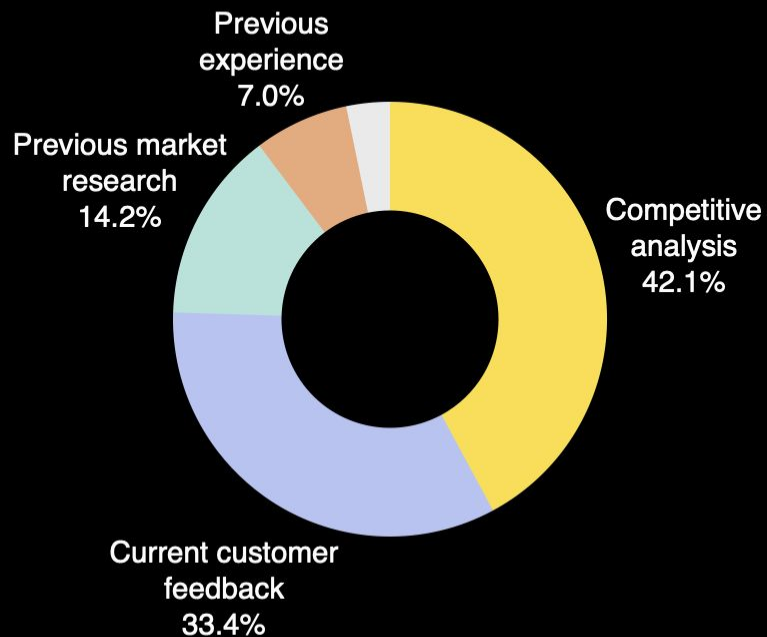
4 ways to survive and find profitability:

4 ways to survive and find profitability:

1. Differentiate your positioning & pricing

Most SaaS companies base pricing research too much on **competitors** or **current customers**.

Most Common Inputs to the Pricing Research Process



These inputs often **bias** SaaS products to all look the same.

Most SaaS products aren't as **differentiated** as you think.

WE'RE BUILDING THE WRONG PRODUCT

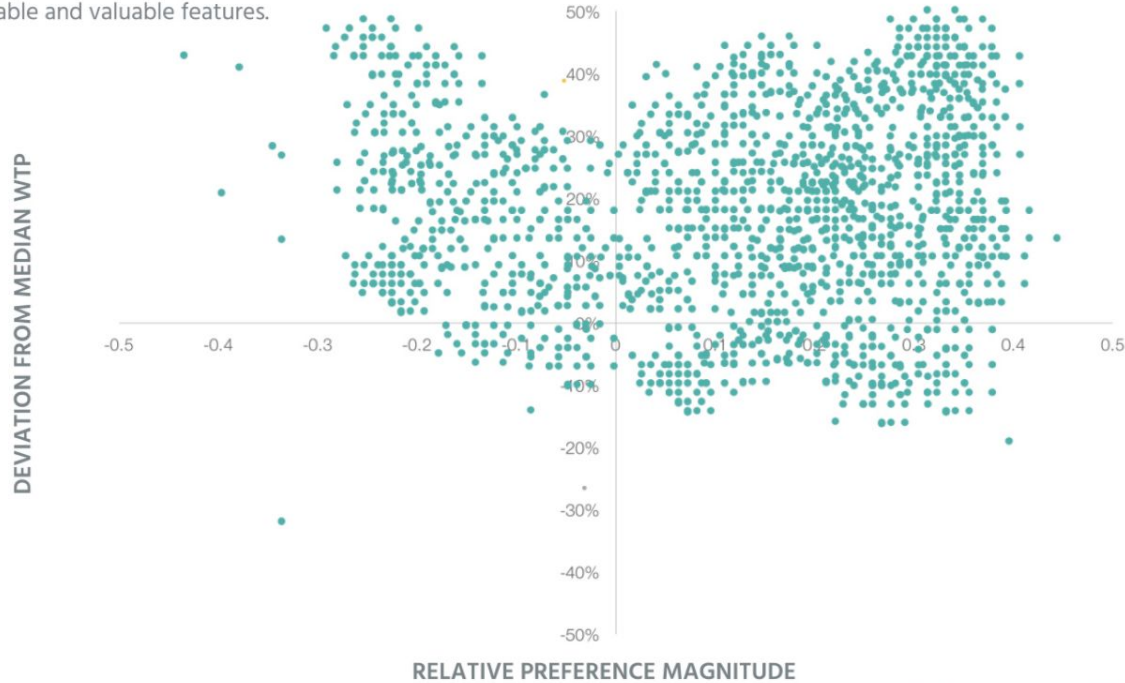
Calculating the expected impact of product on growth



WE'RE BUILDING THE WRONG PRODUCT

What We Think We're Building

This is what your product leaders indicated they're building for the last five thousand features they built.
A lot of differentiable and valuable features.



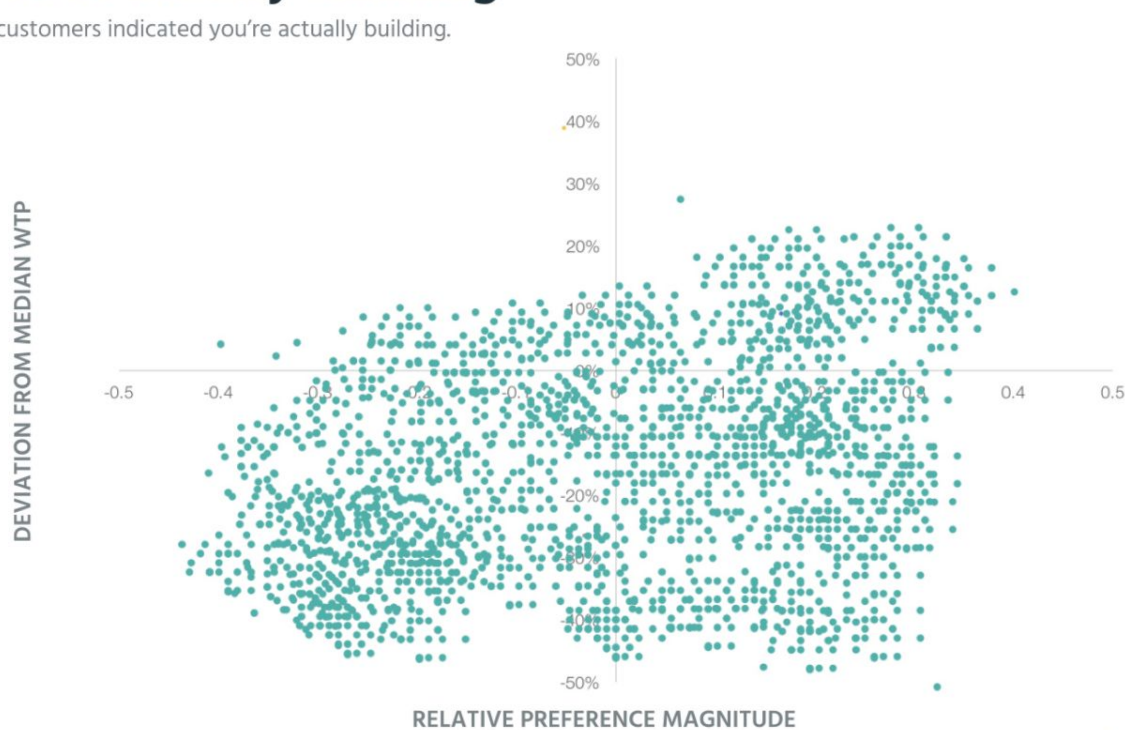
N
5.0k

N = 5k+ Inputs from 1282 Director, VP, or C-Level Product Leaders

WE'RE BUILDING THE WRONG PRODUCT

What We're Actually Building

This is what your customers indicated you're actually building.



N = Composite data from 1.2M customer inputs.

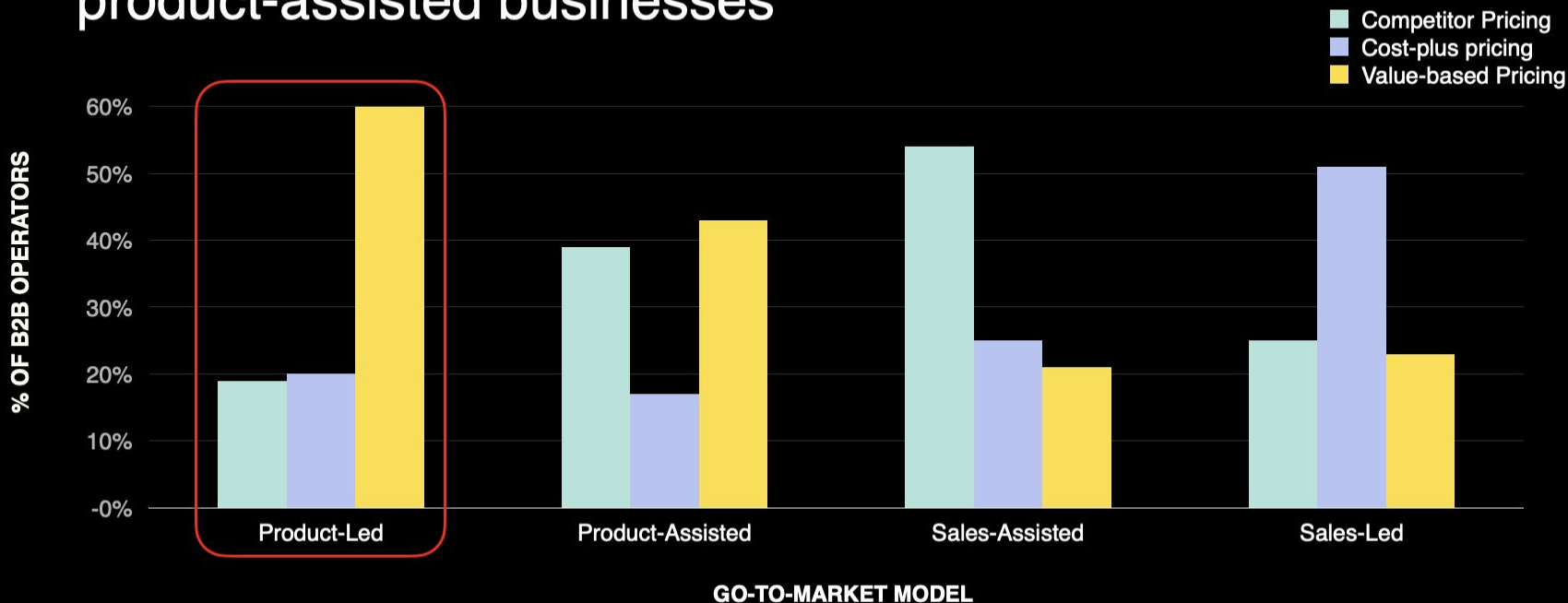
Low willingness-to-pay is often a signal of poor differentiation.

Value-based pricing aligns your product strategy with what the market values most.

Value-based Pricing is heavily used by the largest SaaS companies



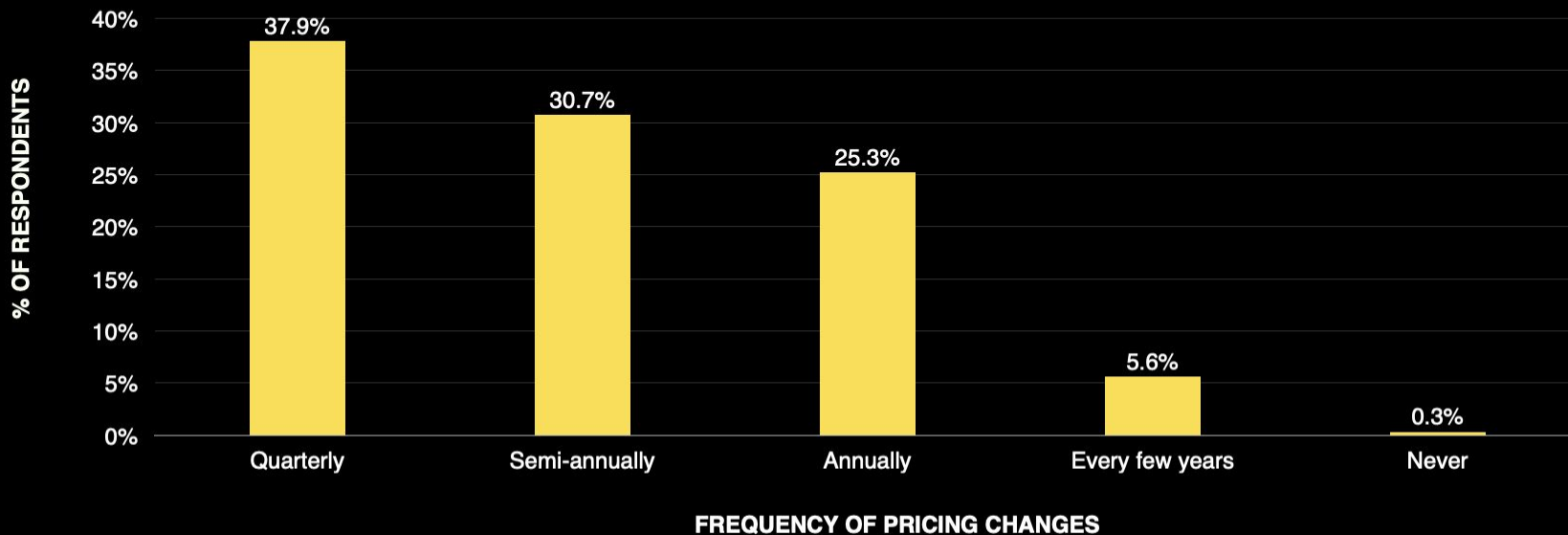
Value-based pricing is critical for product-led and product-assisted businesses



Don't be afraid to update pricing regularly

(as long as it's communicated properly)

69% of SaaS pricing leaders update their strategy every 3-6 months.



4 ways to survive and find profitability:

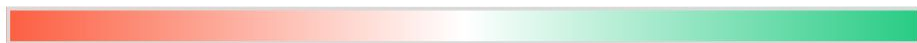
1. Differentiate your positioning & pricing

4 ways to survive and find profitability:

1. Differentiate your positioning & pricing
2. Leverage PLG for acquisition

Product-led GTM models are now common,
especially among early adopters.

2023 PLG ADOPTION HEATMAP



Not PLG

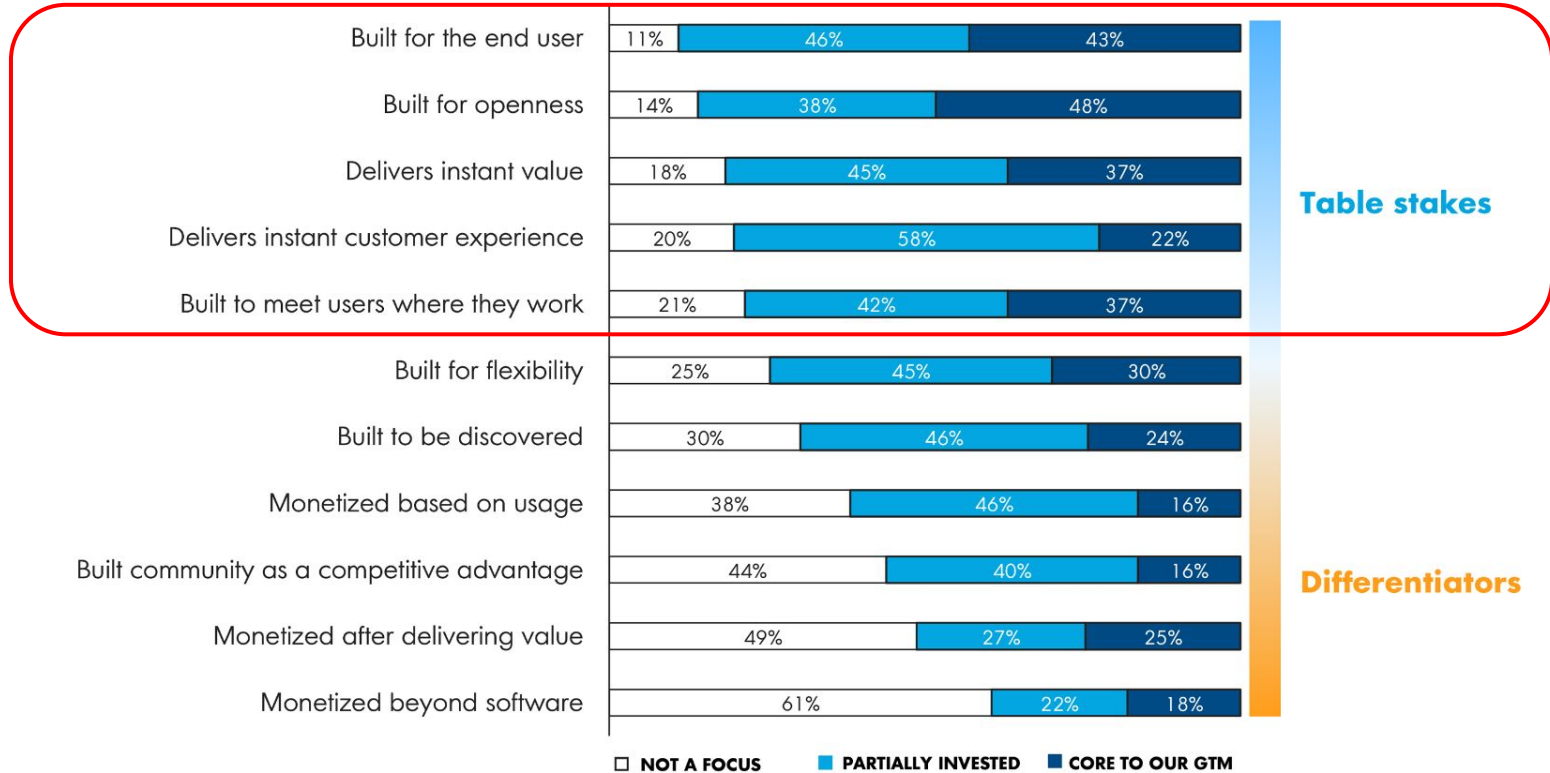
PLG is Table Stakes

	DEVELOPERS	MARKETING	FINANCE	LEGAL	VERTICAL	SALES
Very Small Businesses (<20 employees)	64%	57%	53%	50%	49%	45%
Small and Medium Businesses (20–100 employees)	70%	54%	43%	40%	36%	41%
Midmarket Businesses (101–1000 employees)	61%	44%	27%	35%	18%	37%
Enterprise Businesses (1000+ employees)	54%	33%	24%	18%	11%	30%

Product-led growth makes SaaS easy to adopt,
and shortens time to value.

11 PRINCIPLES OF PLG

Tactic adoption



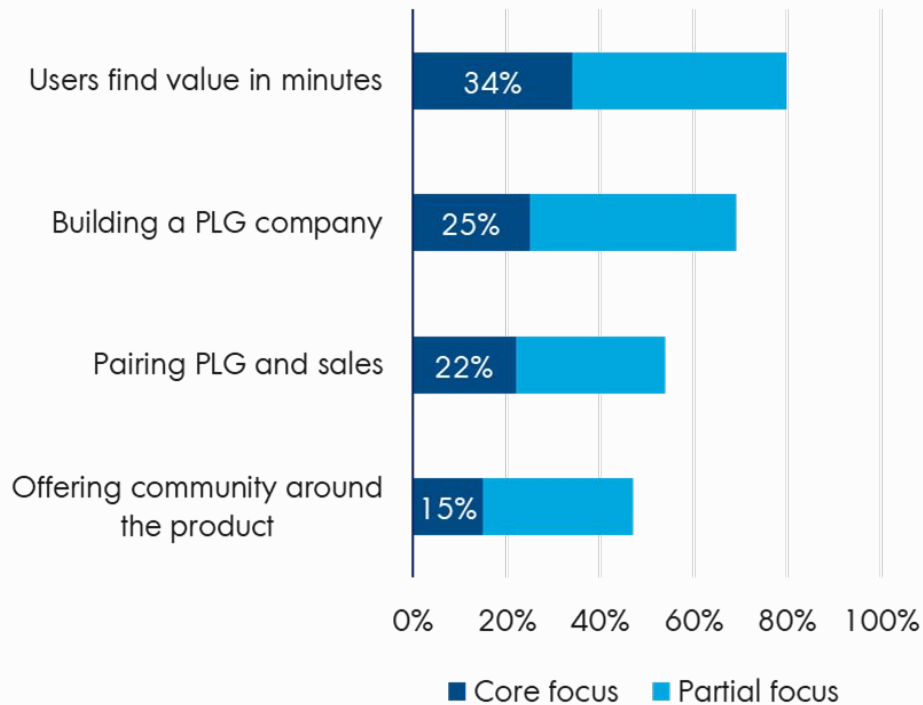
Note: Percentages are rounded to the nearest hundredth

Source: 2022 OpenView SaaS Benchmarks Report

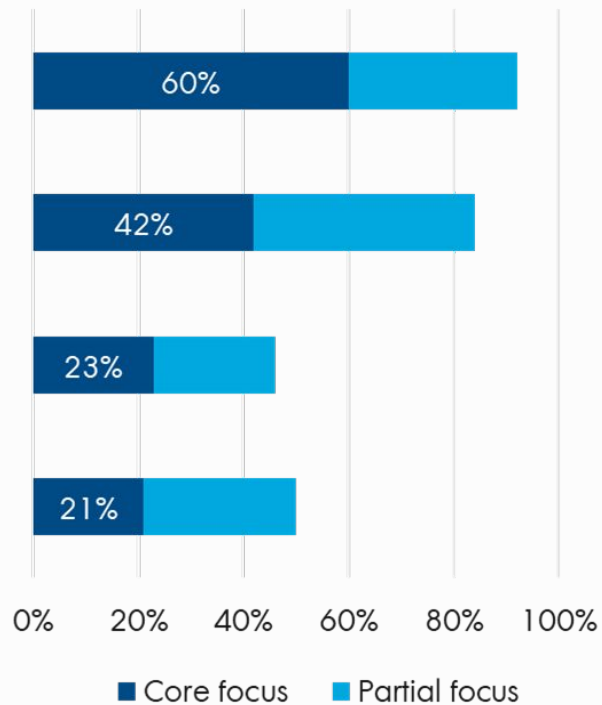
AI-native companies are especially effective at product-led growth.

PRODUCT-LED GROWTH AND AI

All respondents



AI companies

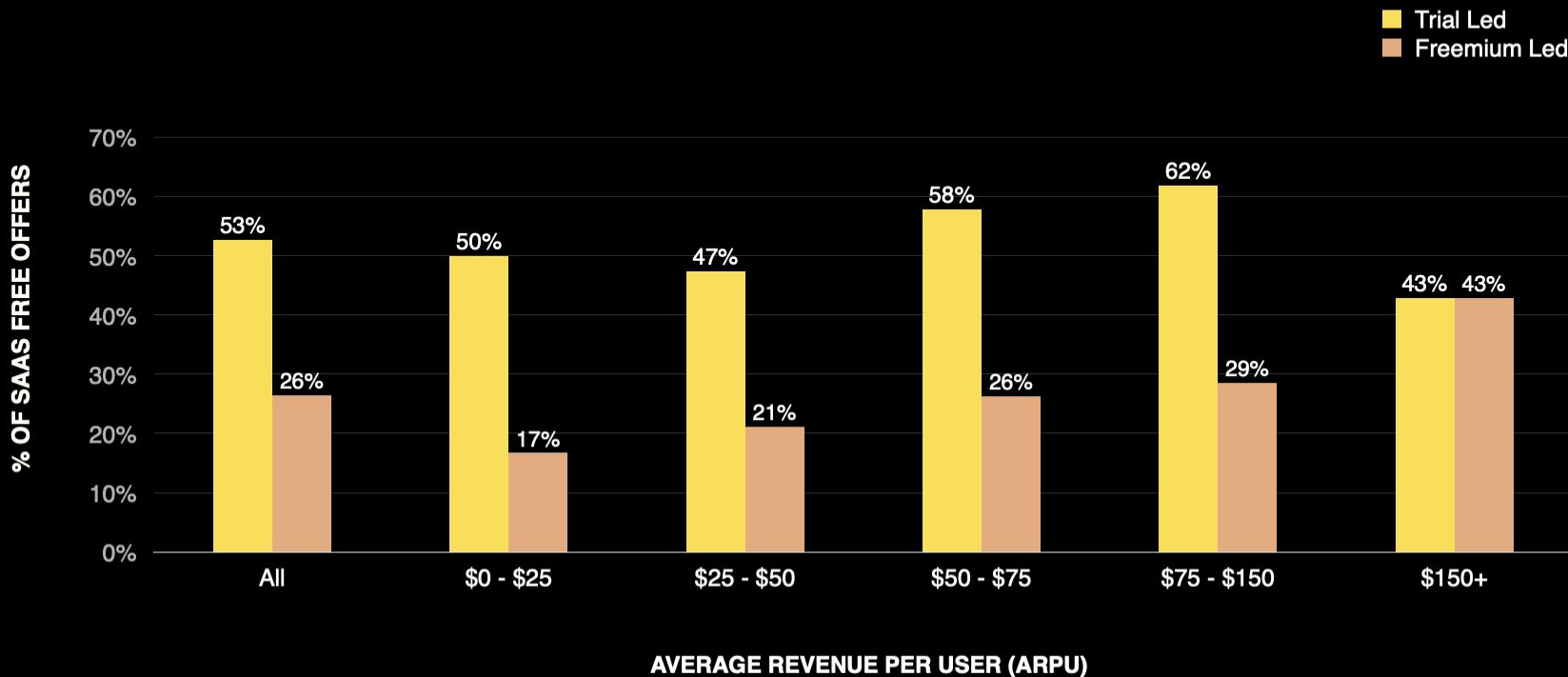


PLG is now often table stakes for **acquisition**, especially when targeting early adopters.

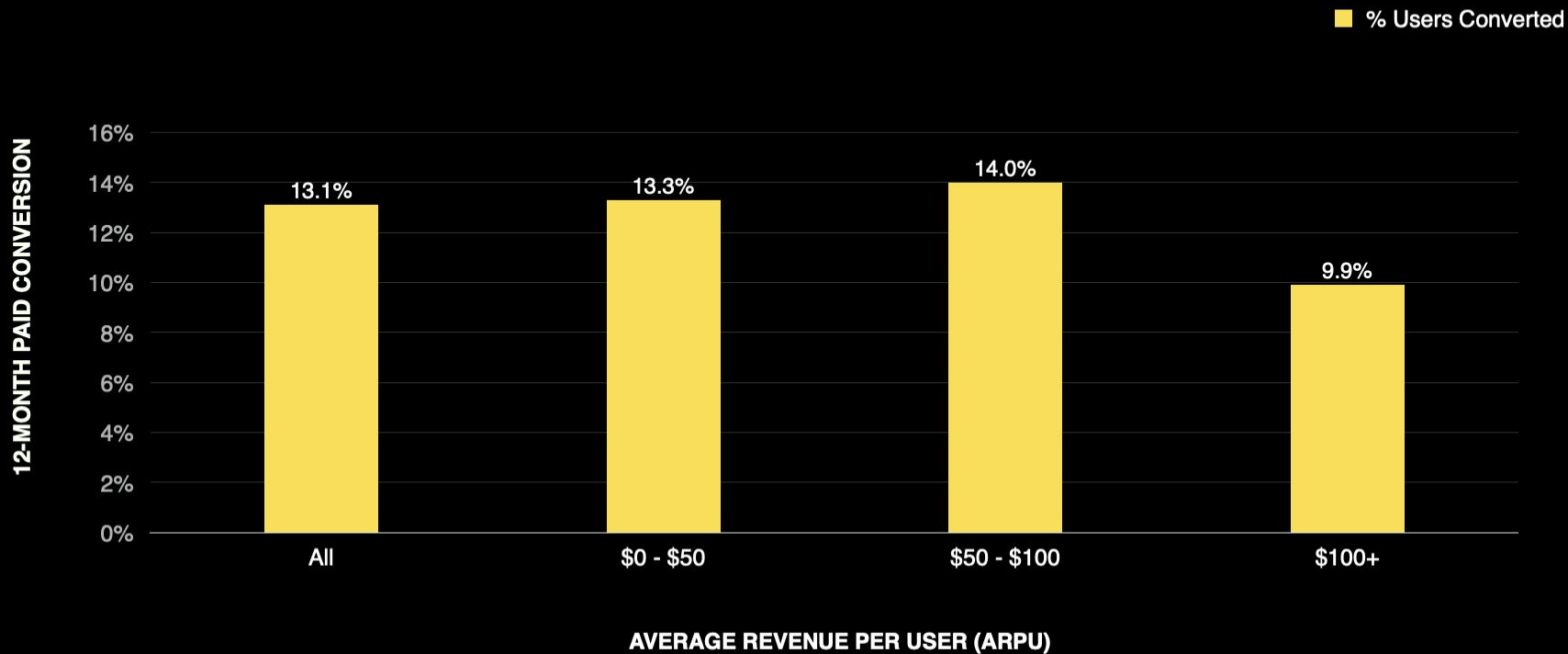
PLG is now often table stakes for **acquisition**, especially when targeting early adopters.

It's increasingly needed just to get a foothold in the market.

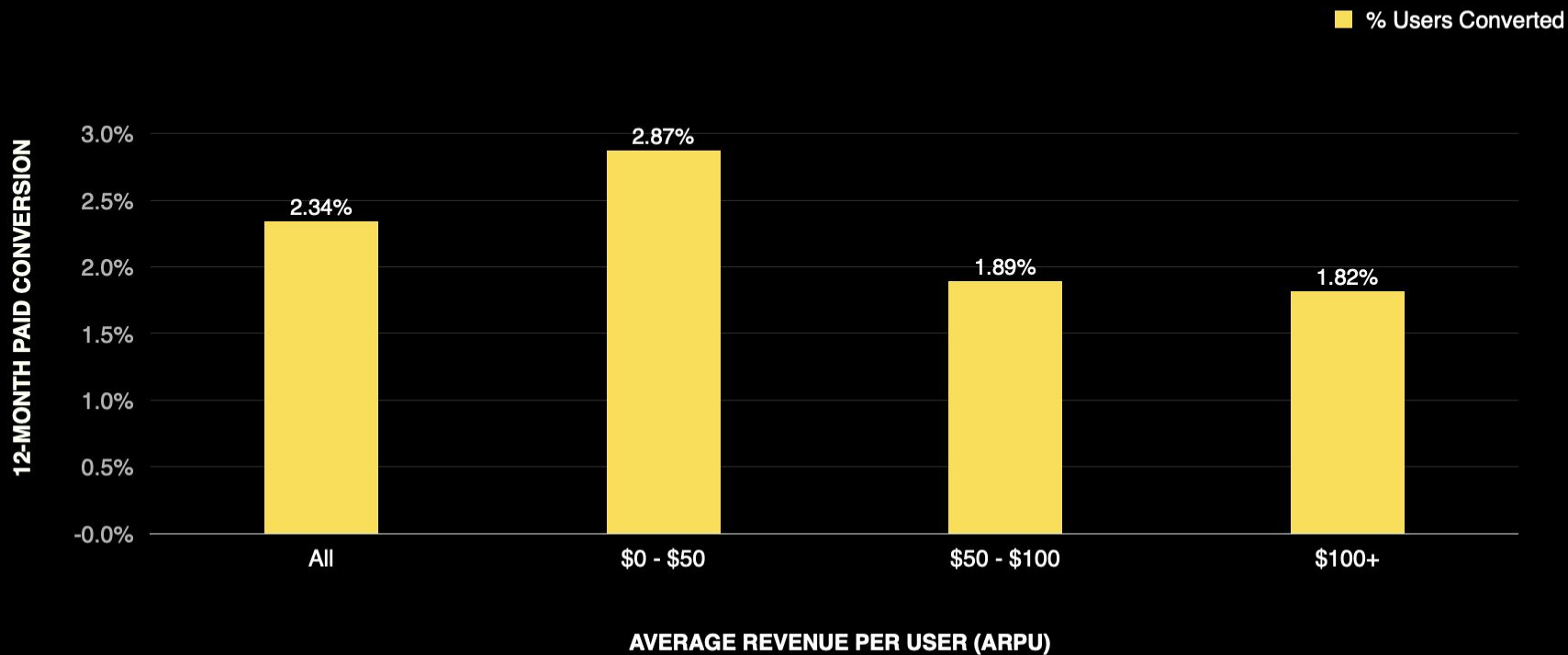
Type of Free Product Offering by Price Point



Free Trial to Paid Conversion by Price Point

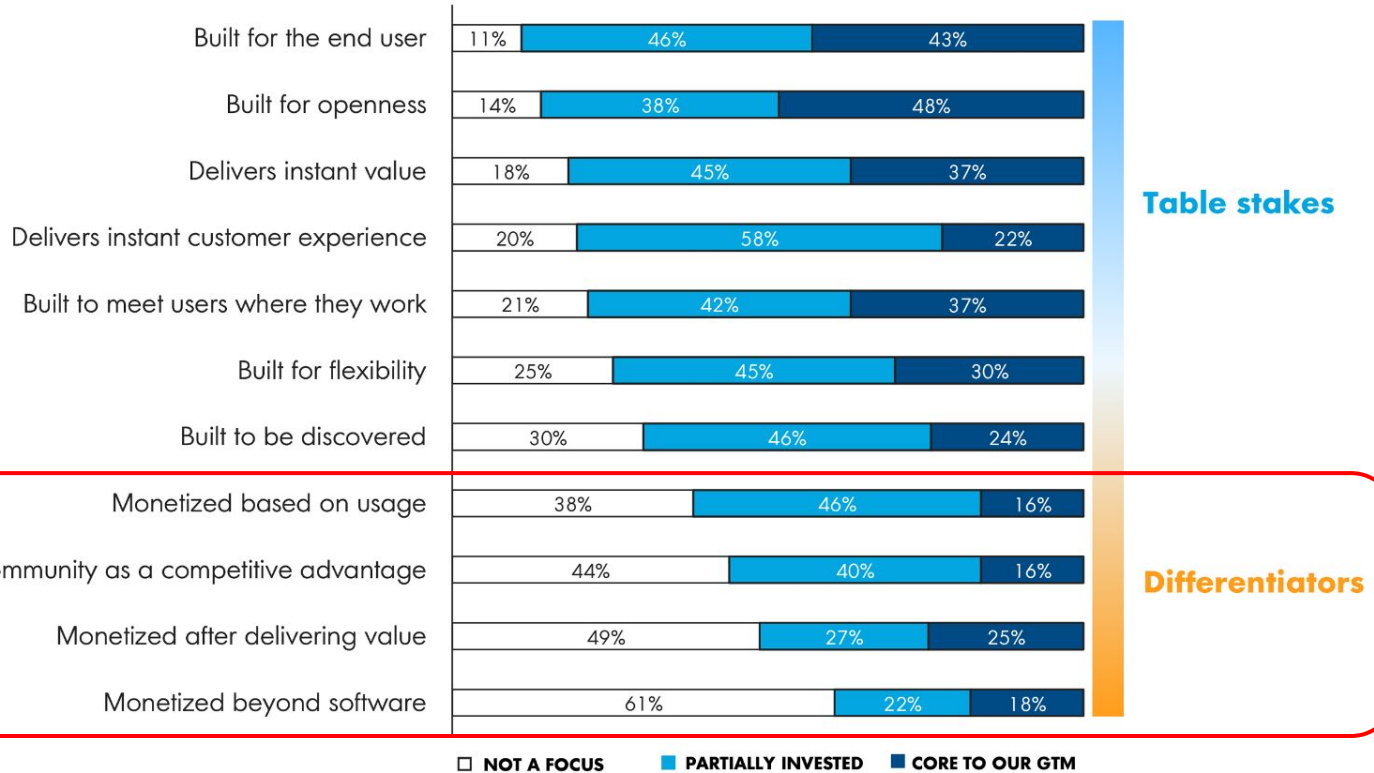


Freemium to Paid Conversion by Price Point



11 PRINCIPLES OF PLG

Tactic adoption



Note: Percentages are rounded to the nearest hundredth

Source: 2022 OpenView SaaS Benchmarks Report

A PLG-only model often leaves money behind when it comes to **monetization**.

4 ways to survive and find profitability:

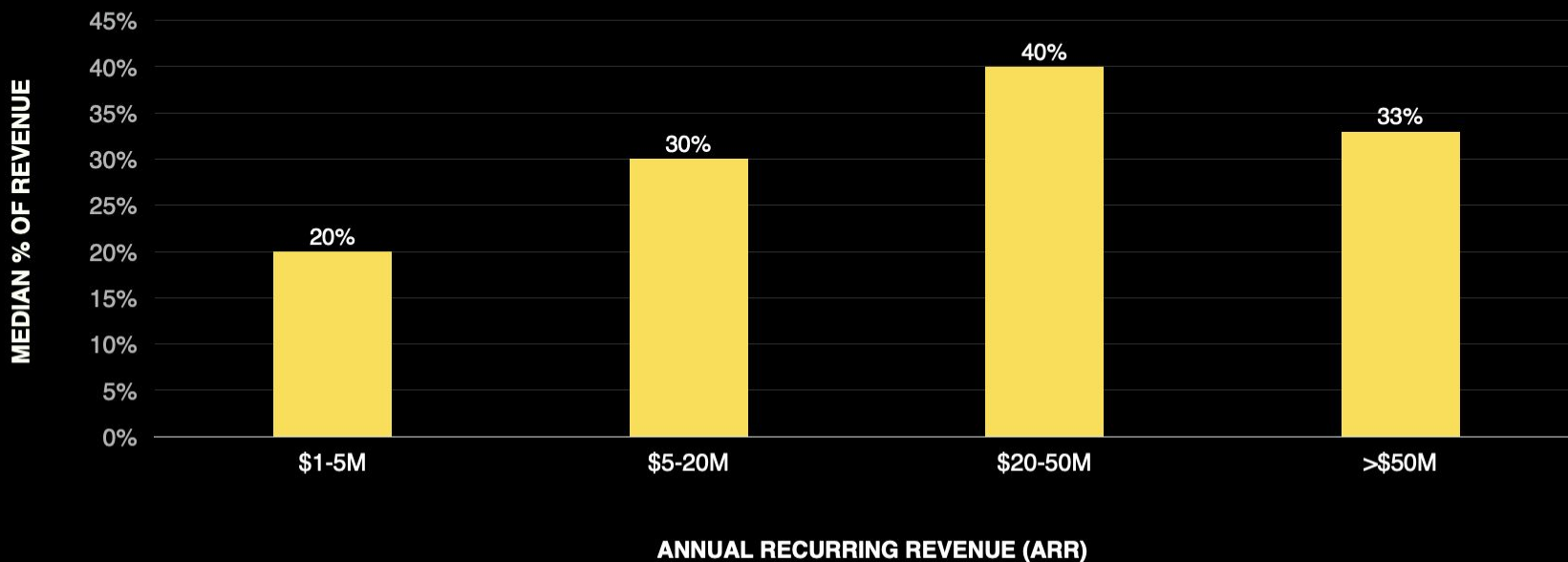
1. Differentiate your positioning & pricing
2. Leverage PLG for acquisition

4 ways to survive and find profitability:

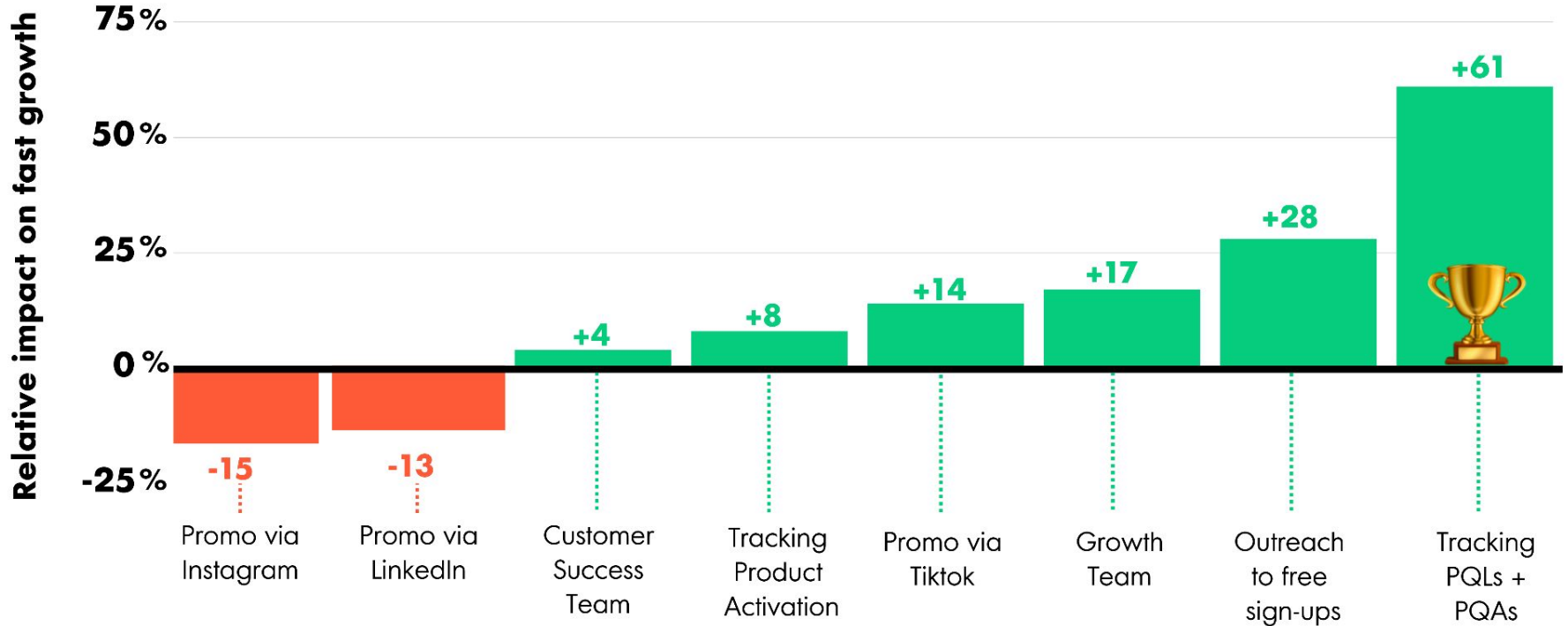
1. Differentiate your positioning & pricing
2. Leverage PLG for acquisition
3. Expand with Product-Led Sales (PLS)

Expansion revenue is much easier to acquire than new customers.

Larger companies generate more growth from expansion revenue



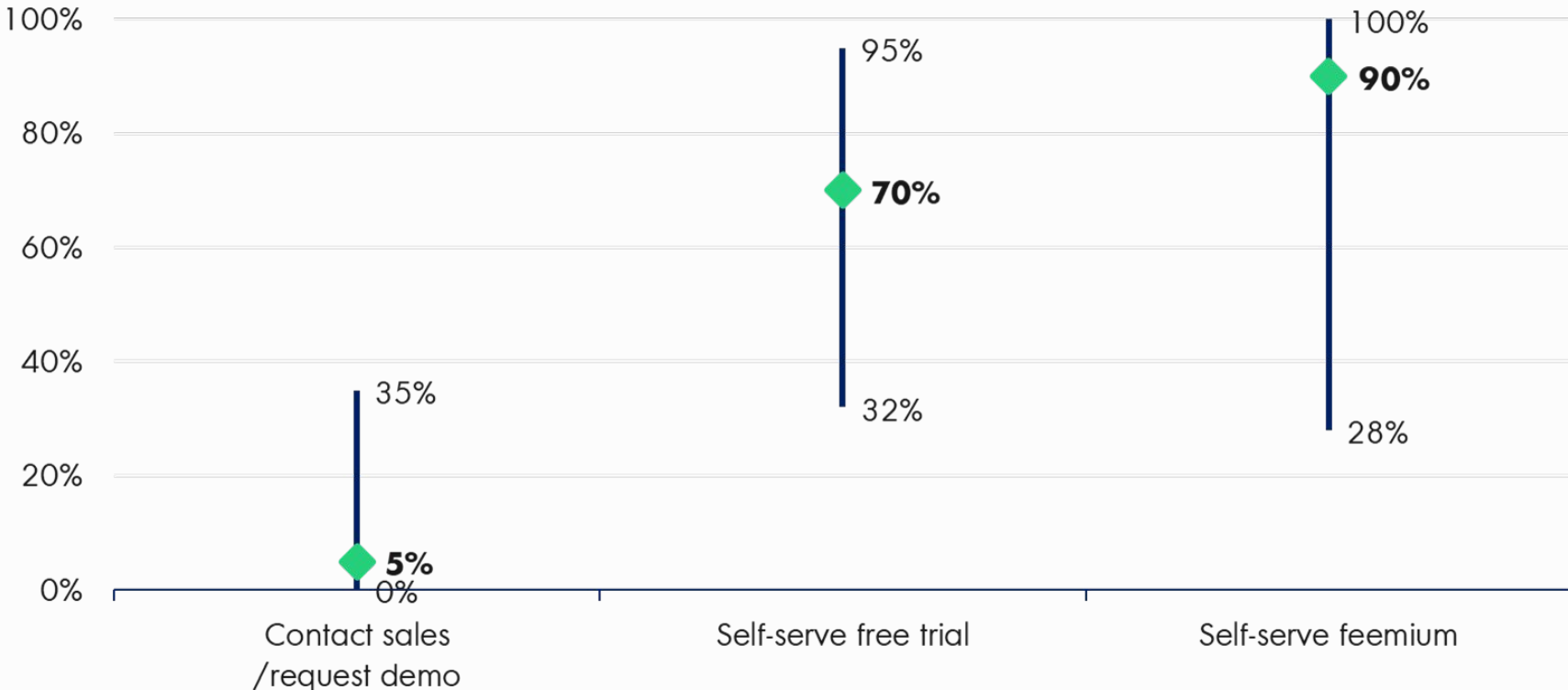
WHAT INFLUENCES FAST GROWTH IN 2023



How to leverage **Product-led Sales**:

- Track product usage as intent data
- Sales incentivized to drive value
- Packaging optimized for expansion
- Pricing matches customer value

PRODUCT-INFLUENCED REVENUE: A WAY TO ASSESS PLG EFFICIENCY



4 ways to survive and find profitability:

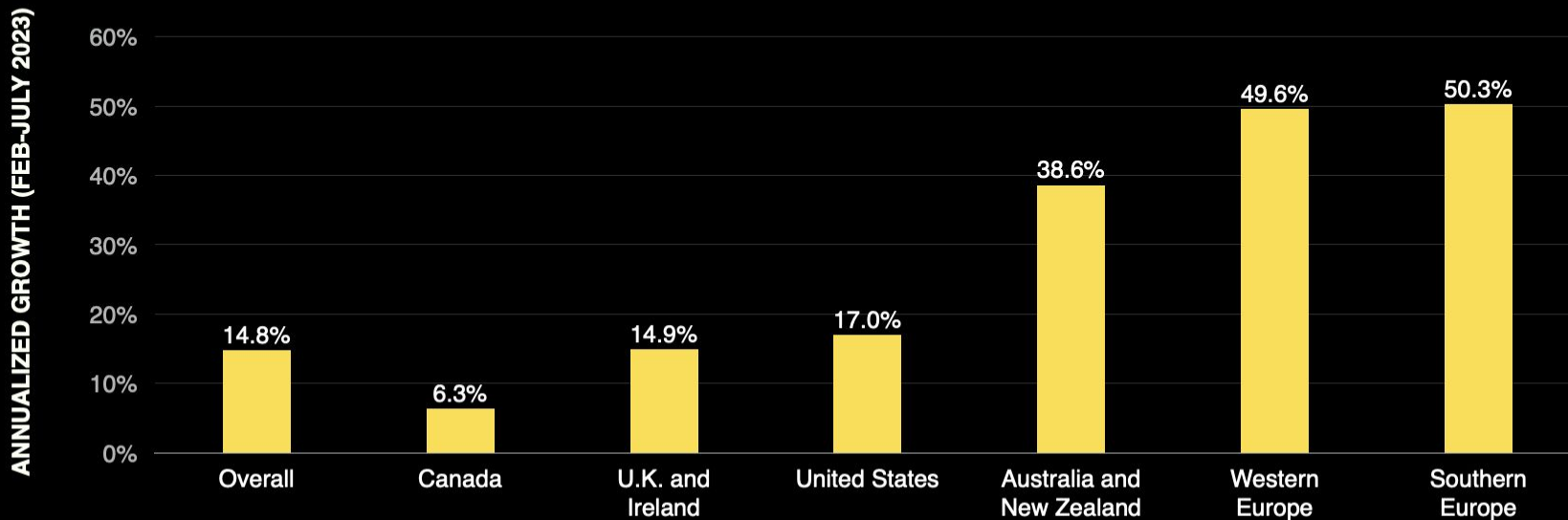
1. Differentiate your positioning & pricing
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4 ways to survive and find profitability:

1. Differentiate your positioning & pricing
2. Leverage PLG for acquisition
3. Expand with Product-Led Sales (PLS)
4. Address Tier 2 markets

We're seeing SaaS grow faster in
secondary markets.

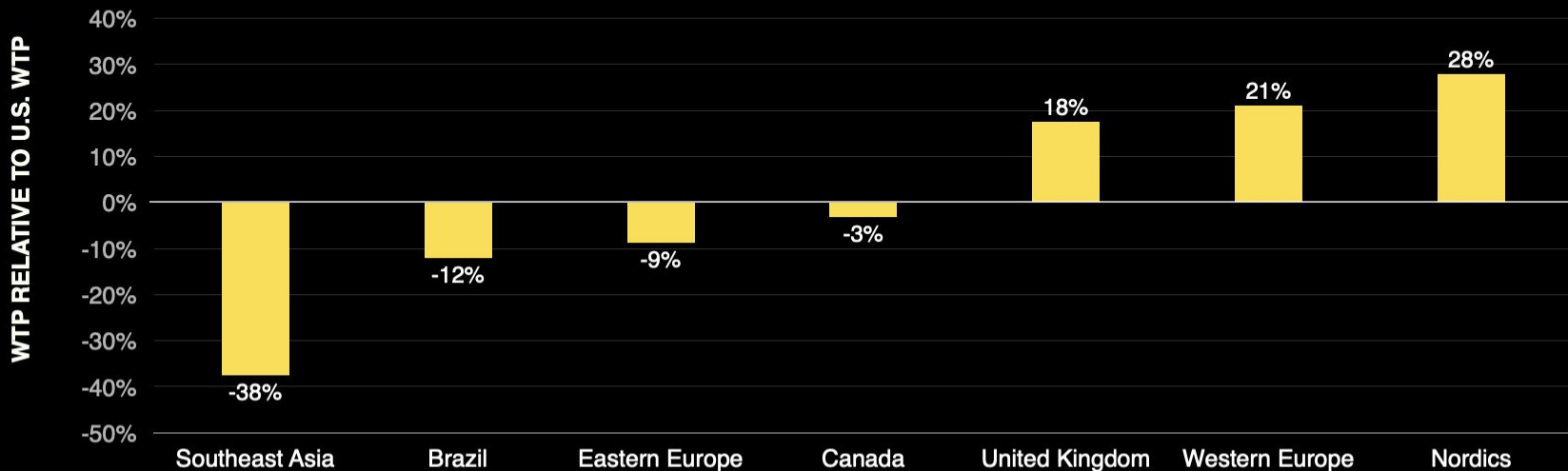
SaaS is growing faster outside North America/UK



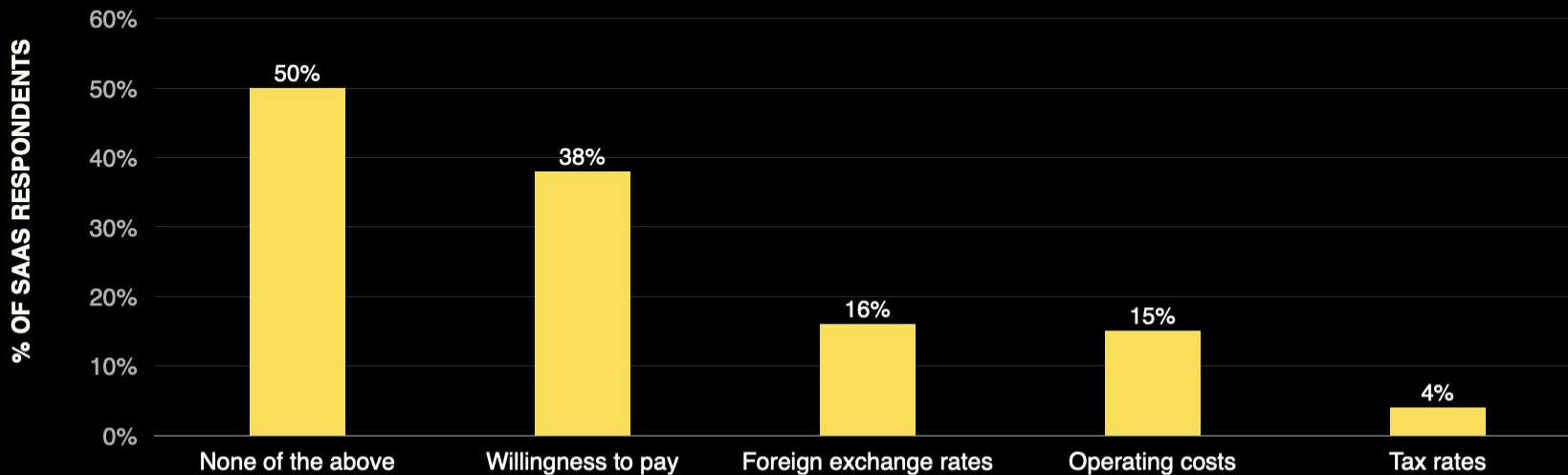
But most SaaS companies don't take basic steps to address those markets.

They don't localize their pricing.

Customers in different regions have varying willingness to pay...

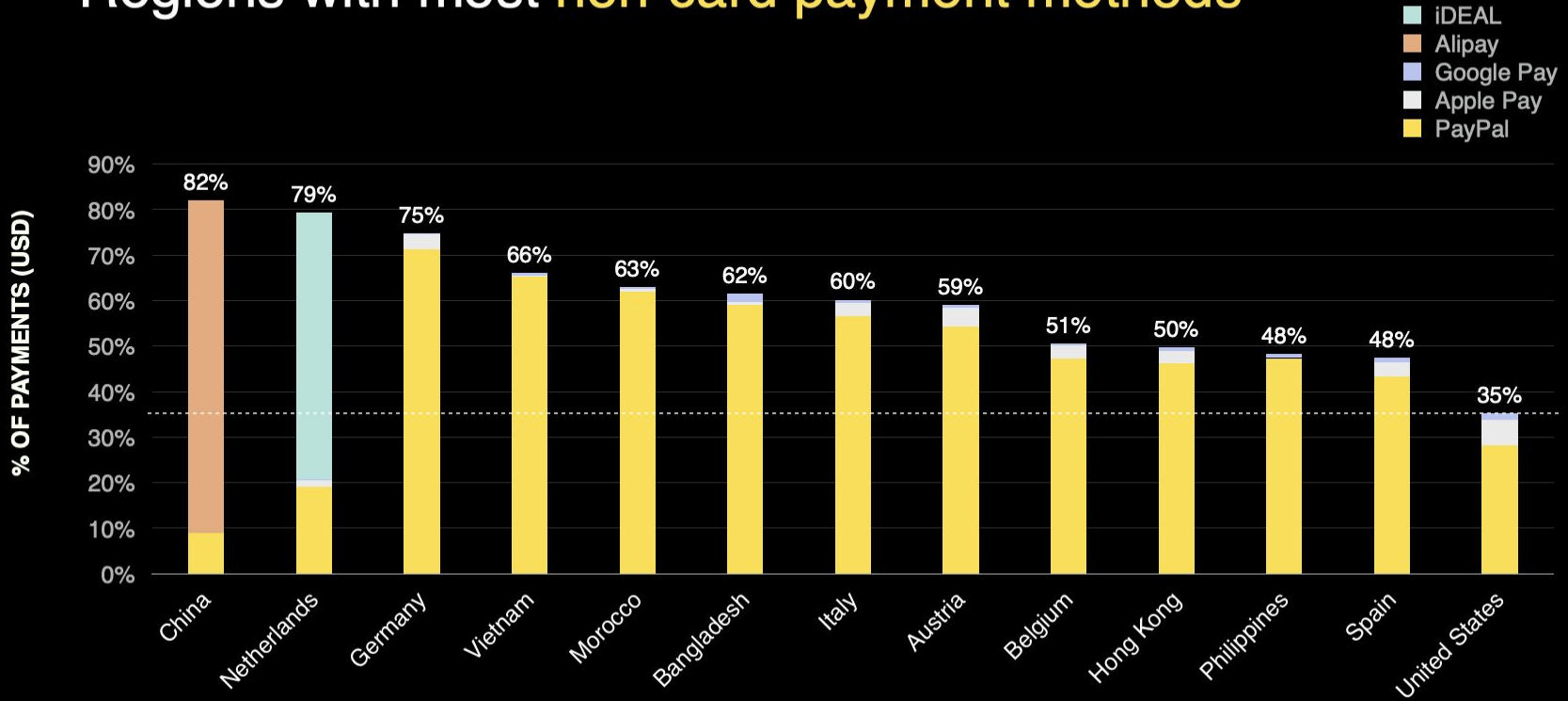


...but **50% of SaaS operators** don't localize prices



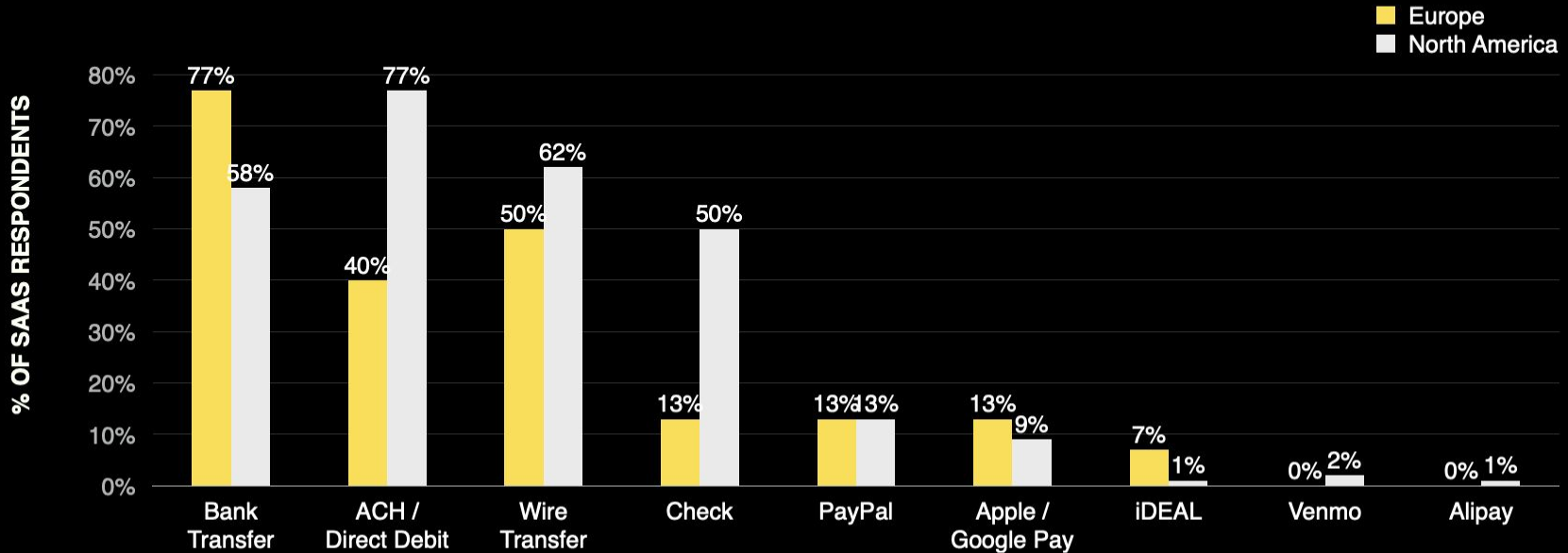
They don't allow local purchasing methods.

Regions with most non-card payment methods



SOURCE: Paddle Billing, % of revenue for vendors allowing multiple payment methods (2023)

Payment methods offered by SaaS companies



SOURCE: OpenView, 2023 SaaS Benchmarks Report (coming November)

If your competitors aren't selling overseas,
that's a ripe **opportunity** for you.

Where should you get started?

Break the world into 3 tiers:

Break the world into 3 tiers*

Tier 1: Acquisition, monetization naturally happening

- Developed markets likely representing most of your users
- English-native, used to paying in USD, similar cultural preferences
- **Few changes needed to sell here.**

* Tiers will vary by product

Break the world into 3 tiers*

Tier 1: Acquisition, monetization naturally happening

Tier 2: Some acquisition happening, monetization is poor

- Relatively developed markets where you naturally acquired some users
- Fewer English speakers, want to use different currencies or payment methods, different expectations of sales process, distinct regulatory needs (ex: GDPR)
- **Internationalize here in the first 1-3 years.**

* Tiers will vary by product

Break the world into 3 tiers*

Tier 1: Acquisition, monetization naturally happening

Tier 2: Some acquisition happening, monetization is poor

Tier 3: Poor acquisition and monetization at outset

- Foundational product, go-to-market, operational adjustments needed
- **This is a priority for 5+ years from now.**

* Tiers will vary by product

Identify your **Tier 2** markets and start there.

Is your international growth strategy a hot mess?

I bet your company is just putting on the 'Internationalization Theater.'

ELENA VERNA

SEP 27



READ IN APP ↗

Thanks to **Paddle** for collaborating on the post! *Paddle helps you simplify and automate your billing operations so you can focus on growth 🚀*

Woof, that was a lot.

Let's quickly recap:

SaaS growth is much slower in 2023.

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Find levers to grow without heavy capital:

SaaS growth is much slower in 2023.

Find levers to grow without heavy capital:

1. **Differentiate** your positioning & pricing.

SaaS growth is much slower in 2023.

Find levers to grow without heavy capital:

1. **Differentiate** your positioning & pricing.
2. Apply **PLG principles** to drive adoption.

SaaS growth is much slower in 2023.

Find levers to grow without heavy capital:

1. **Differentiate** your positioning & pricing.
2. Apply **PLG principles** to drive adoption.
3. Use **Product-Led Sales** to monetize/expand.

SaaS growth is much slower in 2023.

Find levers to grow without heavy capital:

1. **Differentiate** your positioning & pricing.
2. Apply **PLG principles** to drive adoption.
3. Use **Product-Led Sales** to monetize/expand.
4. Enable users in **Tier 2 countries** to purchase.

Want to see more data?

First look into OpenView's 2023 SaaS Benchmarks

November 16th

paddle.com/benchmarks-2023



paddle



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CMO of Paddle

OPENVIEW



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Partner at Openview

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