What Is Saas And Why Is It A Great Business Model

What is SaaS And Why Is It A Great Business Model

Video Transcript:

Paul: Hi, it's Paul Clifford from Disruptware, and I want to talk about why the SaaS model is growing in popularity at the moment, and why it's such a great business to be in.

First of all, from the customer perspective, remember that any customer buying into your service recognizes it's a very low risk. Basically they'll use it for a month and if they don't like it they can leave, which means that **customer acquisition is a little bit easier** then it is to try and get software onto a customer's desktop.

Secondly, remember that there is **no installation headaches, so there is no IT to worry about**. All they've got to do is just log in and they

are up and running. Thirdly, **they can access it anywhere**, so from any country or whatever as long as they have a web browser then they're taken care of. Because it's a recurring revenue model then the long term value that customer's worth quite a lot. You can make the entry price reasonably low to get them in - to get them hooked in.

Remember software is a service, which SaaS is basically a rental model. **You are renting use of your software** to them, where as traditionally it used to be a perpetual model where they would have to install the software but they would own the license. Where in this case you're renting it to them and you're taking care of all the IT for them.

Now from a vendor perspective, or from your perspective, why is the SaaS model great? Well, first of all it's one application you have to maintain and support, so **it's got quite a low overhead**. Once it's developed and built then most of your cost is really on the marketing and getting the customers in, but in terms of the operation it's a lot easier to support and maintain than a traditional software business.

You're also selling to the end user, the people that are actually using it, and you're solving their problem directly. You don't have to get IT involved, or deal with any of the installation headaches, or compatibility with their desktops, or with Windows, or Macs, and all that other stuff. You don't have to worry about that as long as they can access it and access the web then they're up and running.

Remember the **SaaS model is a recurring model** and that the subscription model is built in, so all you've got to do is focus on growth and get as many customers in as possible using your application as much as possible too.

Lastly, it's all about the valuation, and should you choose to go down a sale route, an exit route then you might be focused purely on how much can I make my company worth at the end. **Valuations are**

directly related to growth. If you look at all the IPOs, trade sales, anything like that and look at the valuations they've achieved it's a direct correlation between the valuation and the growth rate of the company not the profit. It doesn't matter how profitable your thing is. What really matters is how quickly you can get customers on board and build your revenue as fast as possible.

Okay, so I hope you found that useful. This is Paul Clifford from Disruptware.

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