

Dallas, Texas

Directors Forum: Future-proofing Growth Strategies

Presenter: Adam Echter, Partner
March 5th, 2025

The Era of Growth

1 

The Era of Growth is upon us

Leverage



Financial engineering



Cost take-out

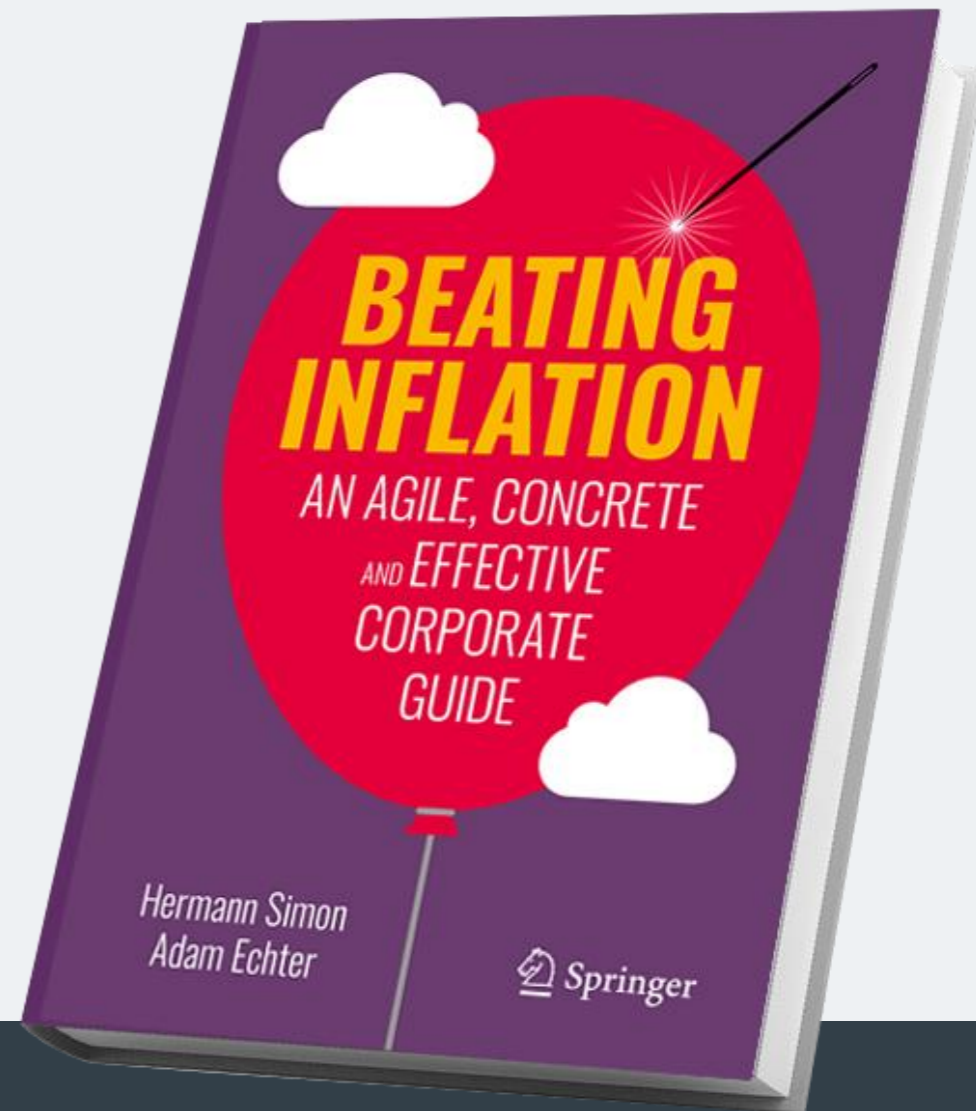
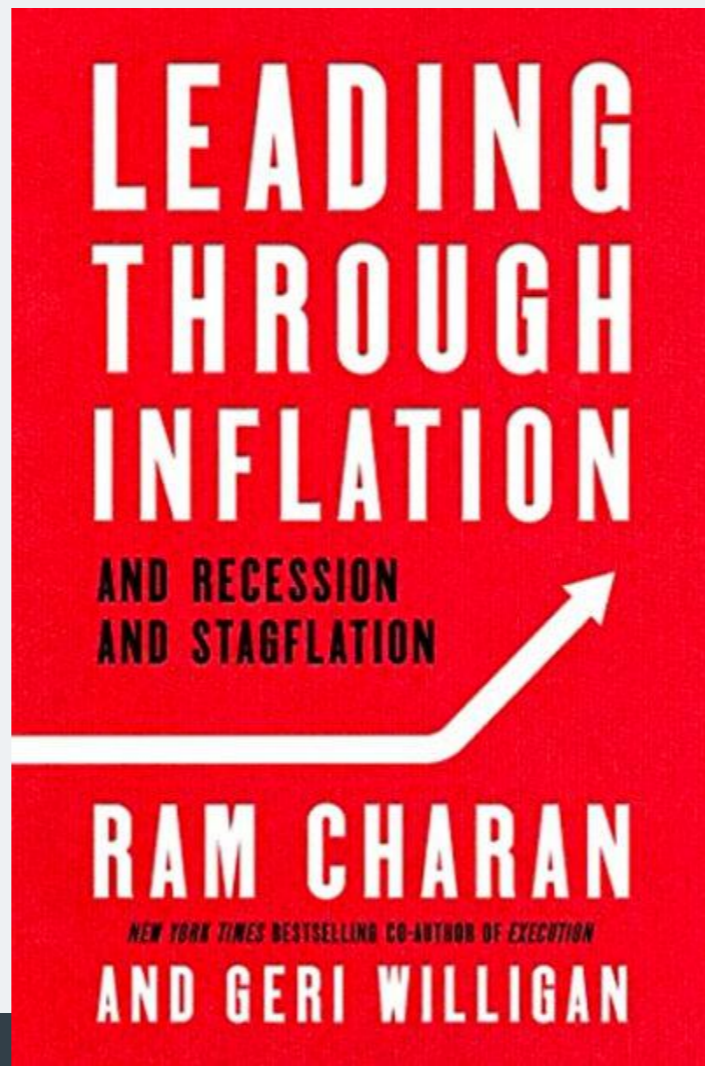


Multiple arbitrage



Growth





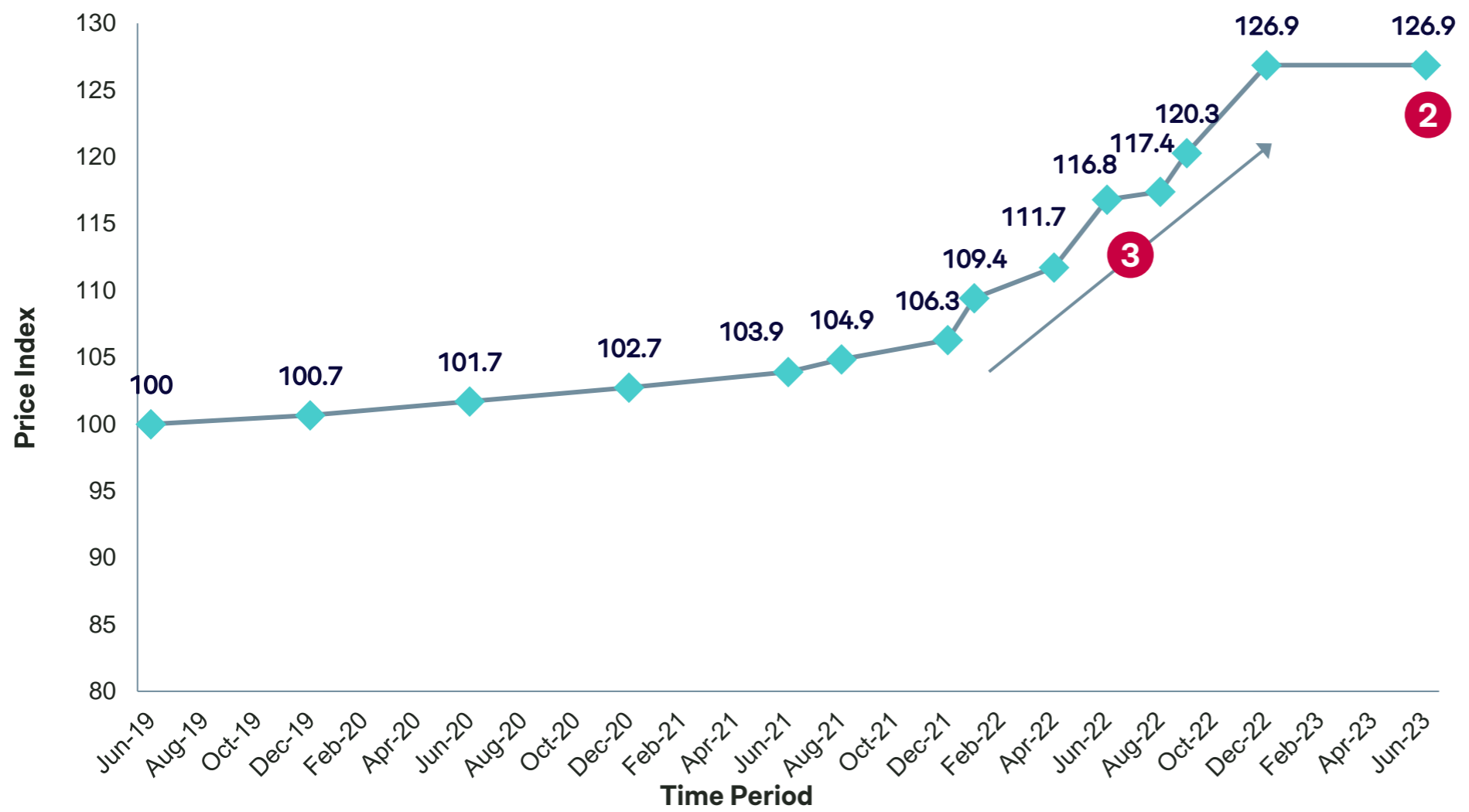
Mission 2022



This client expanded breadth and frequency of pricing actions between 2020-2023 to respond to market volatility, cumulatively increasing list prices approximately 26.9%



1 Indexed list price evolution (Index 100 = FY 2019)



Key takeaways



- 1** 12 price increases conducted in the past 3 years
- 2** Overall indexed list price increase of 26.9% over 3-year period (8.3% CAGR)
- 3** Increased frequency of price changes during 2022

Source: Simon-Kucher Project Example

Imagine 2024





Results **2025**

Mission 2022 Goals

DID NOT MATERIALIZE!

2025 Growth Lever 1

1 

Tariff etymology



Tariff

Tarif: *Set price*

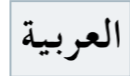
Tariffa: *Mandated price*

Medieval Latin Tariffe: *Set price*

Ottoman Turkish Ta'rife: *List of prices*

Ancient Persia Ta'refe: *Set price*

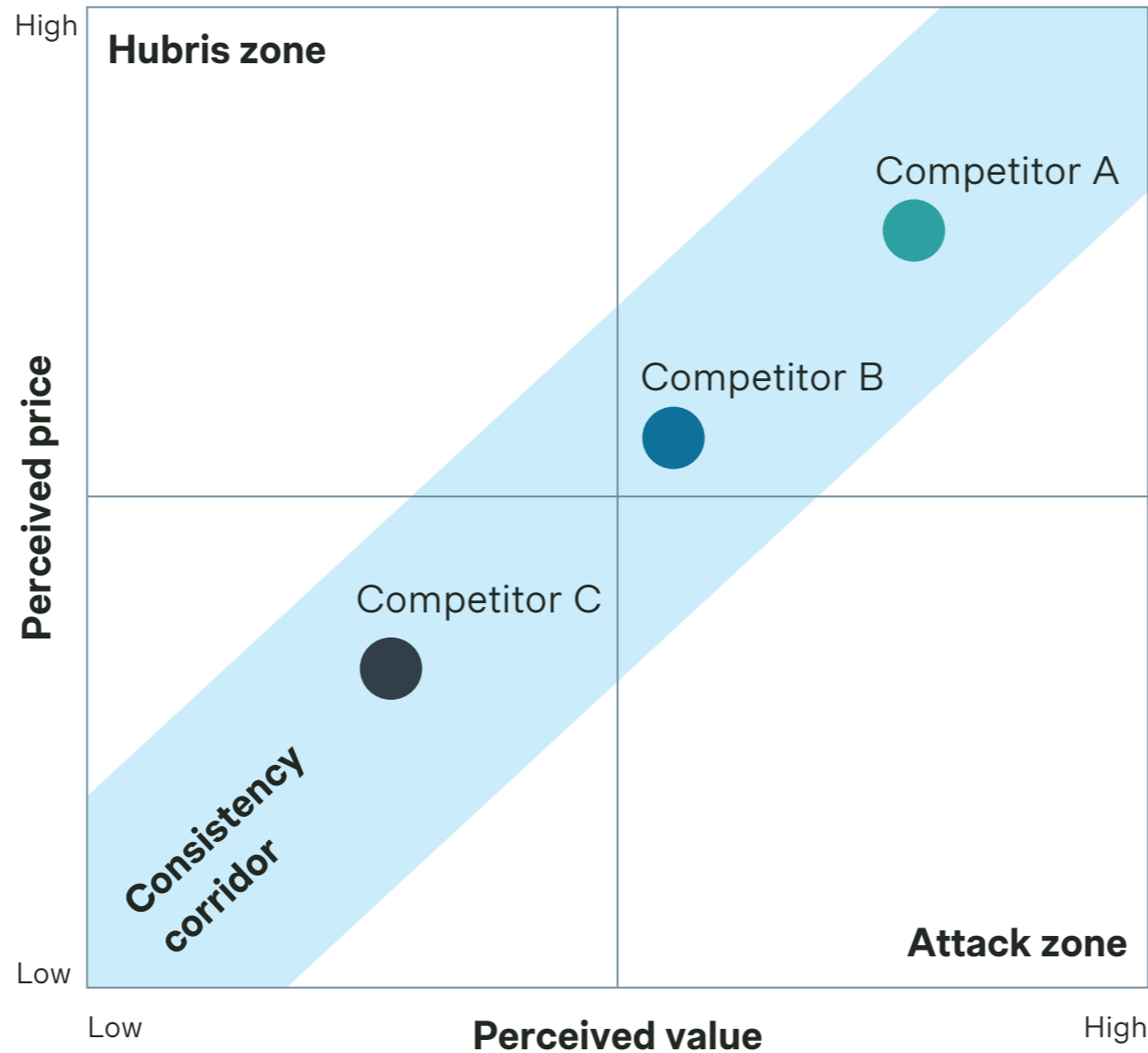
Arabic Ta'rif: *Inventory of fees to be paid*



Today, as in the past,
governments across the globe
attempt to capitalize on the threat
or implementation
of tariffs

Simon-Kucher's Value Map helps put tariffs into context

Simon-Kucher Value Map



Concept

Defining the zones



Hubris zone

Perceived value does not justify price premium. The customer may realize that the product value does not justify the high price and cease buying the product

Attack zone

Delivering more value than expected, given the price. This can potentially distort the market

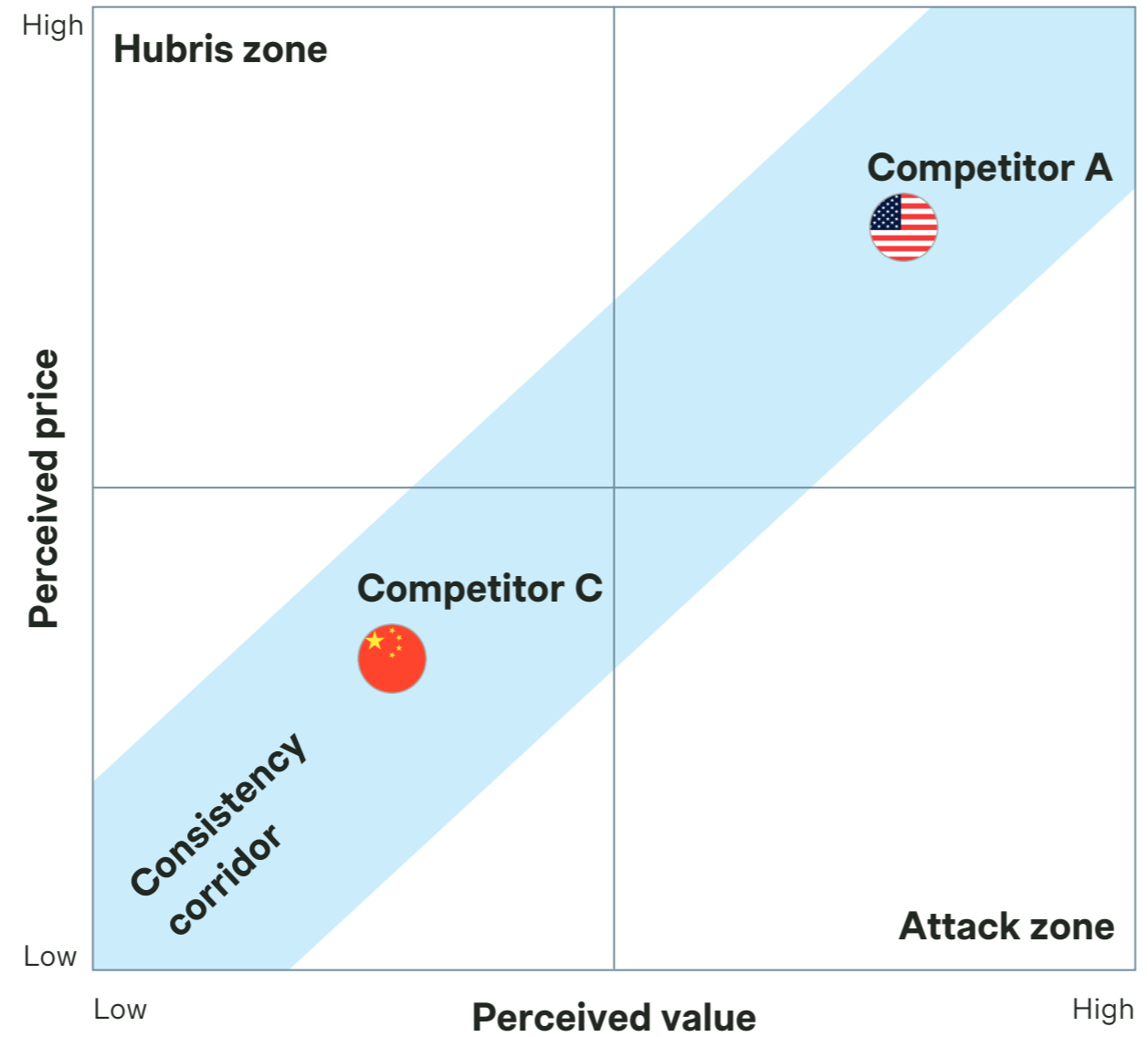
Consistency corridor

Pricing is consistent to product value. This is a non-aggressive market position

Tariffs are meant to move the relative position of foreign goods to the advantage of a domestic producer: **Imagine 2 relative competitors from the US and China**

Concept

**Simon-Kucher
Value Map**



Defining the zones



Hubris zone
Perceived value does not justify price premium. The customer may realize that the product value does not justify the high price and cease buying the product

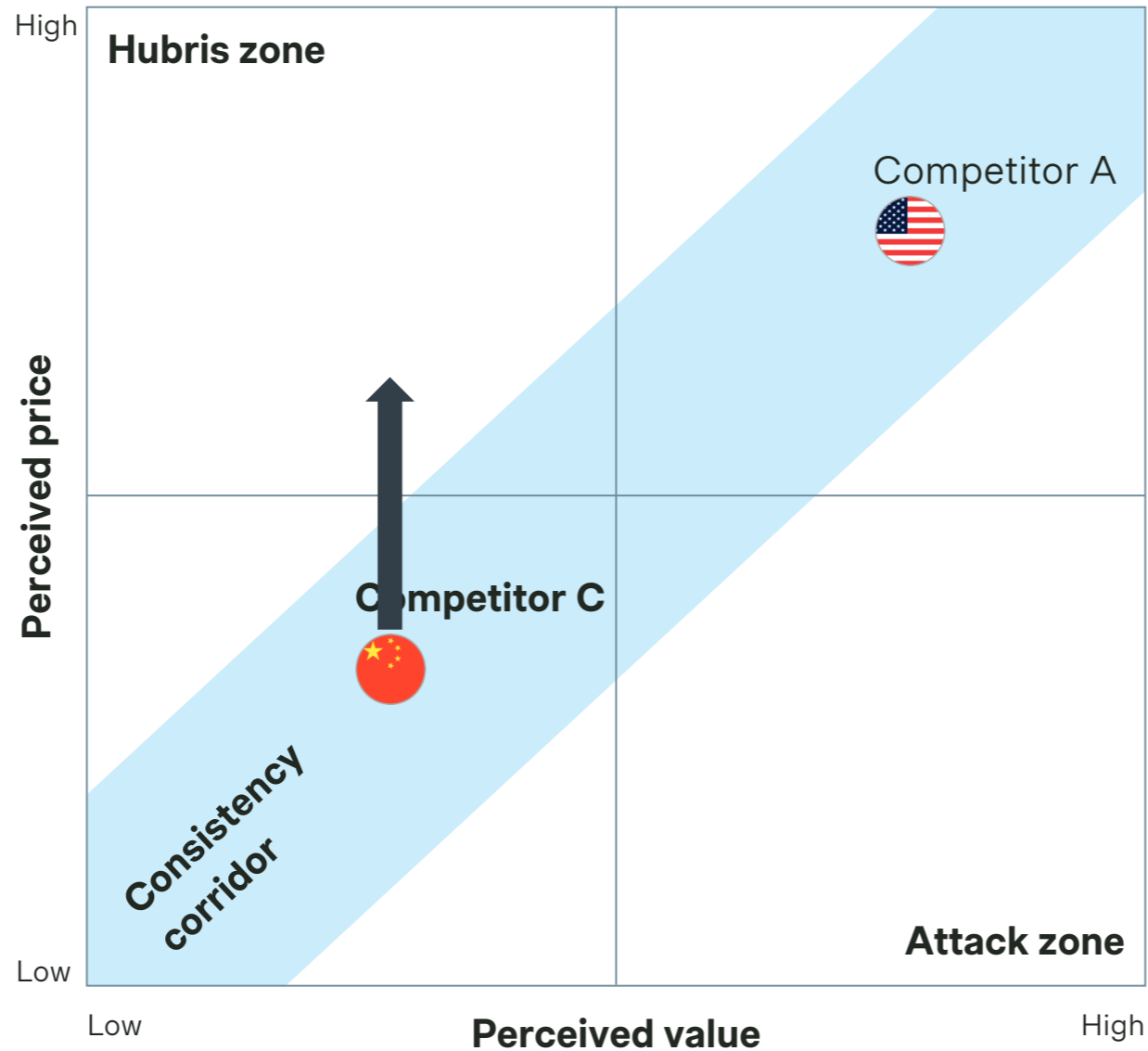
Attack zone
Delivering more value than expected, given the price. This can potentially distort the market

Consistency corridor
Pricing is consistent to product value. This is a non-aggressive market position

Source: Simon-Kucher

A tariff on a Chinese import moves the Chinese position into the Hubris zone

**Simon-Kucher
Value Map**



Concept

Defining the zones 

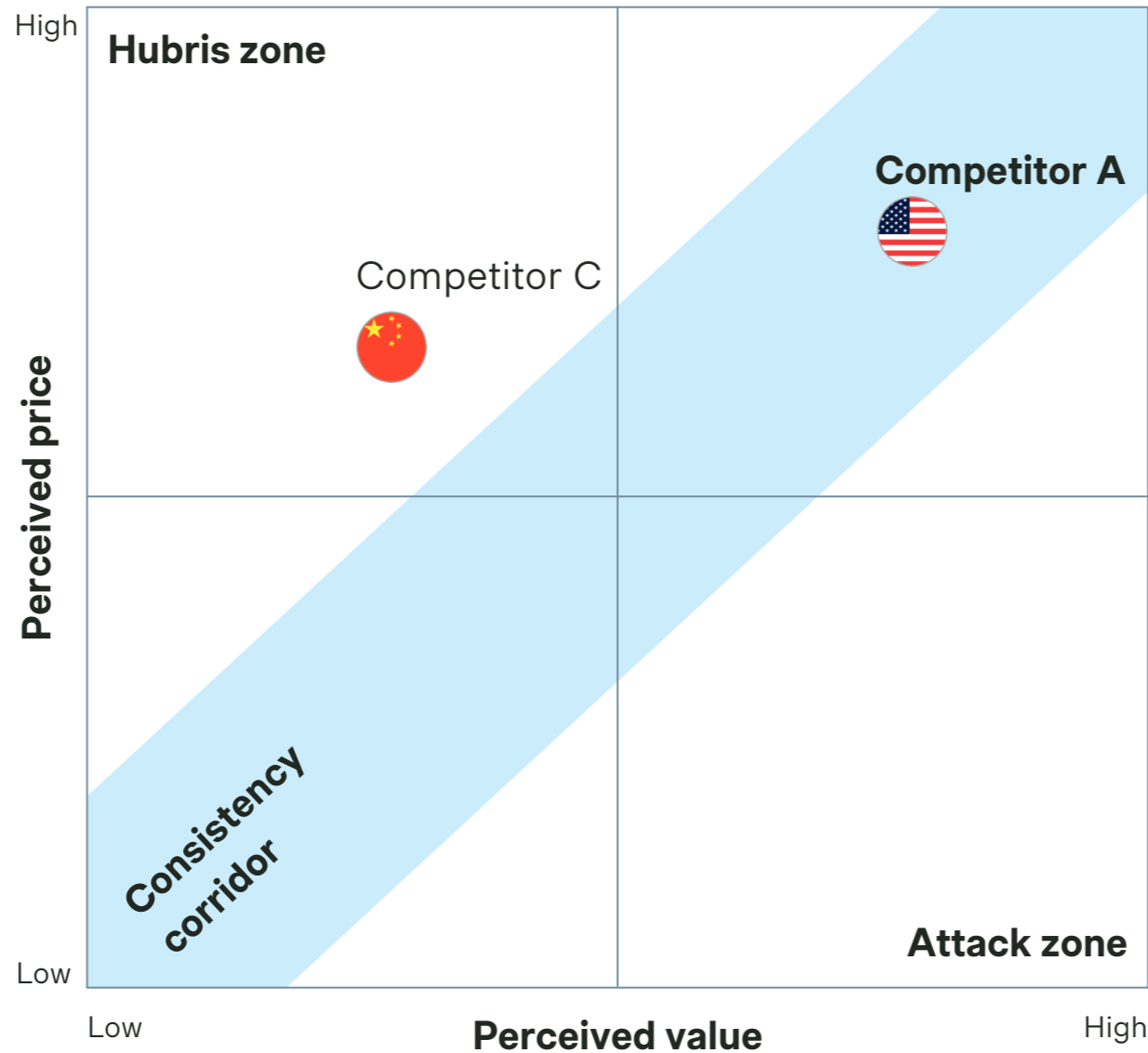
Hubris zone
Perceived value does not justify price premium. The customer may realize that the product value does not justify the high price and cease buying the product

Attack zone
Delivering more value than expected, given the price. This can potentially distort the market

Consistency corridor
Pricing is consistent to product value. This is a non-aggressive market position

In this relative position, **we expect volume to shift from the Chinese to the American**

**Simon-Kucher
Value Map**



Concept

Defining the zones



Hubris zone
Perceived value does not justify price premium. The customer may realize that the product value does not justify the high price and cease buying the product

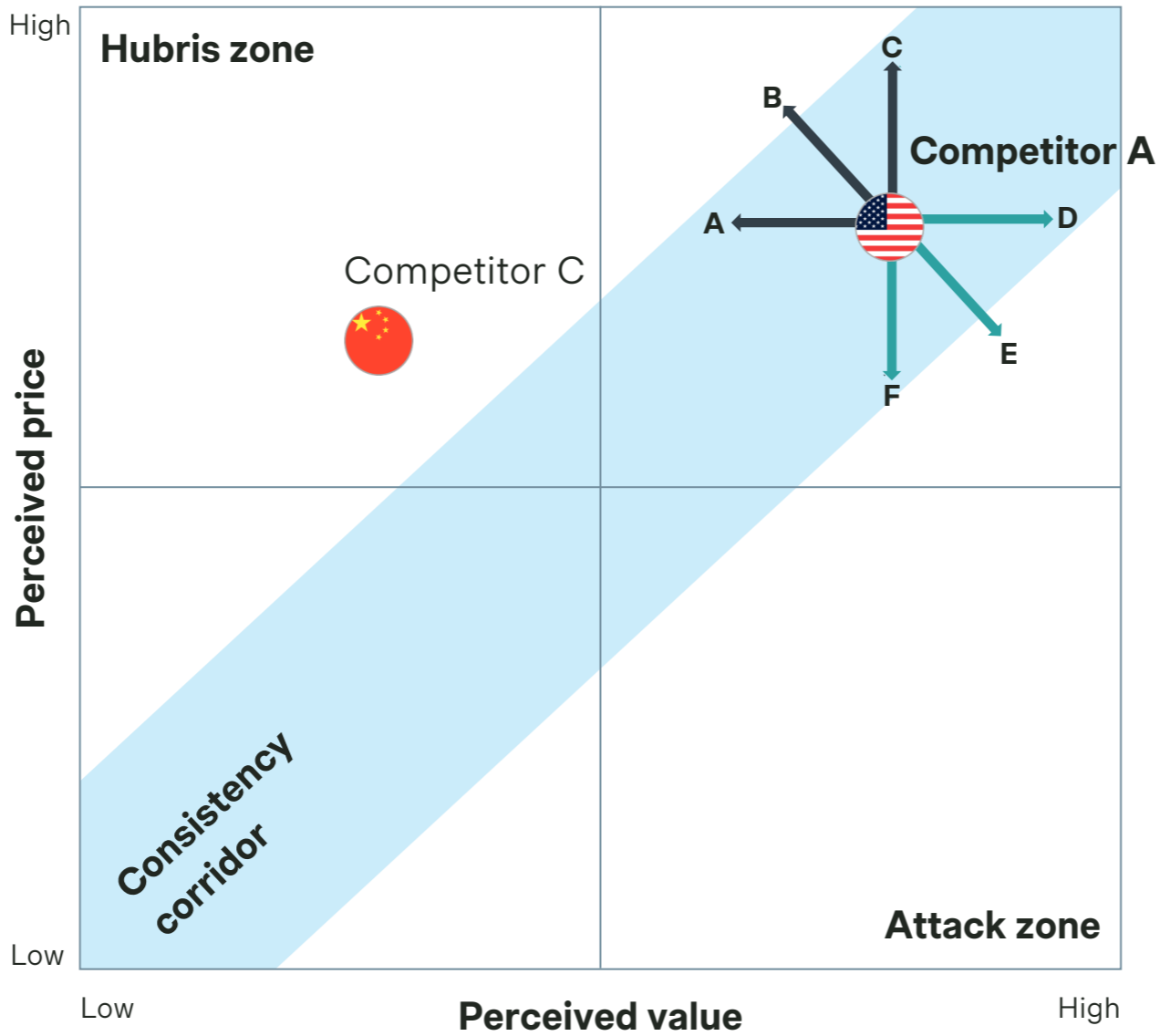
Attack zone
Delivering more value than expected, given the price. This can potentially distort the market

Consistency corridor
Pricing is consistent to product value. This is a non-aggressive market position

However, as a free society, **American producers are not obligated to hold their position** and can react to a tariff in whichever ways they choose

Concept

Simon-Kucher
Value Map



Your objective



Determine where to position yourself on the map

Decrease value offered for price

- A: De-feature your product
- B: Eliminate services
- C: Shrinkflation

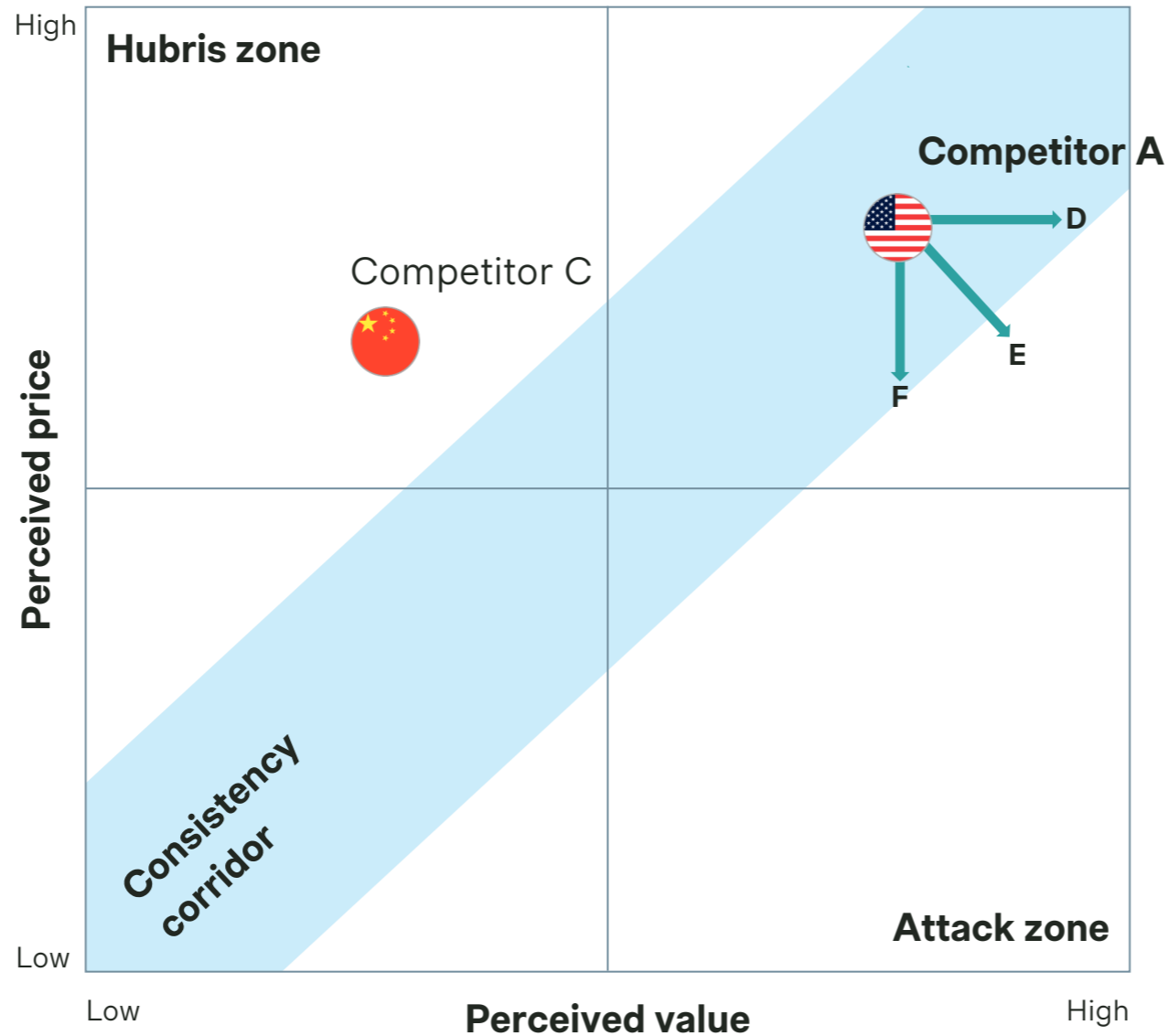
Increase value offered for price

- E: Bundle additional features
- F: Improve services
- G: Increase quality

Governments hope American companies will leverage tariffs to capture incremental volume, lower costs and ultimately improve the long-term position of domestic producers

Concept

**Simon-Kucher
Value Map**



Key takeaways



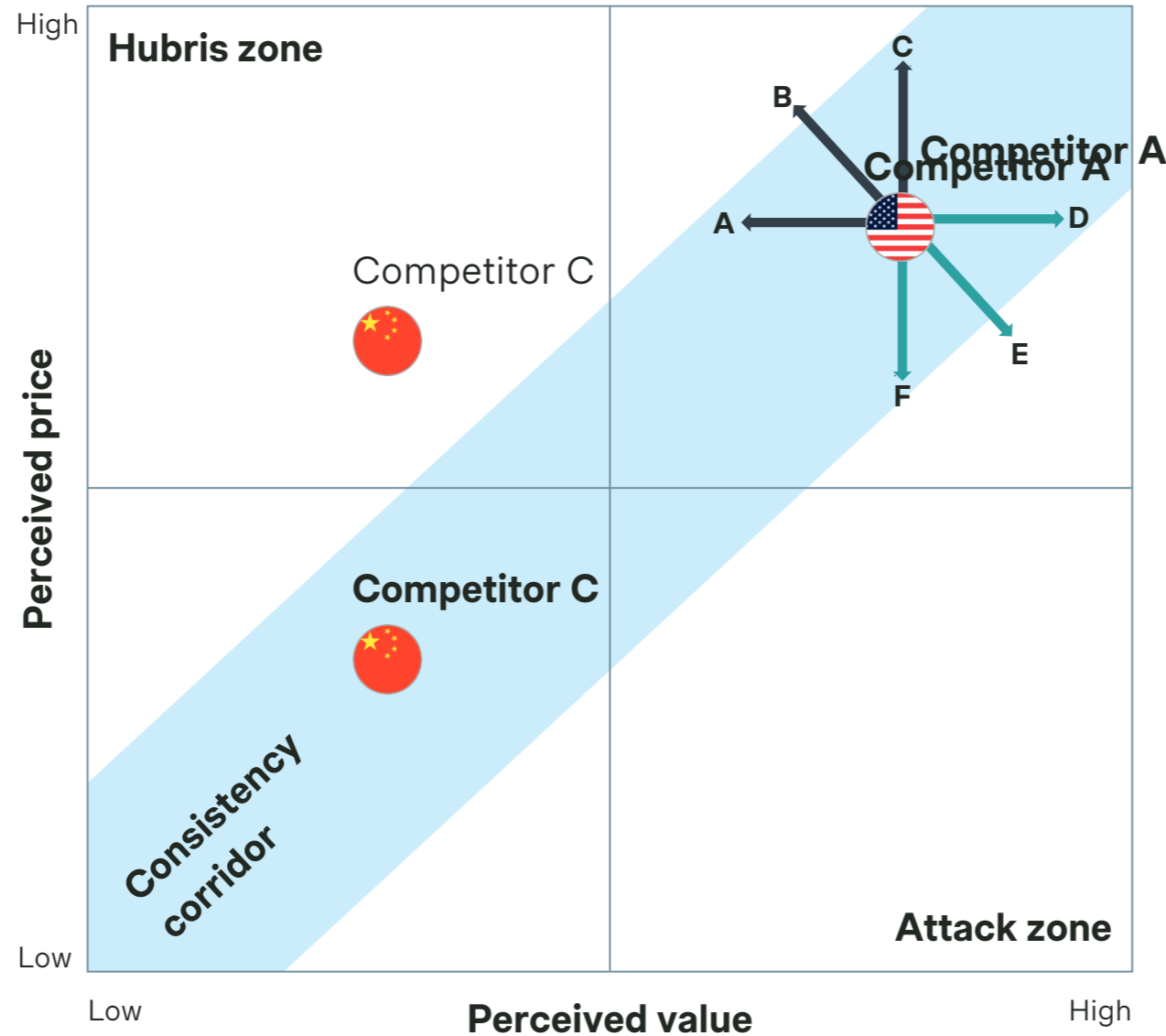
Most Governments implement tariffs with an expectation volume will increase

- This spurs capital investment and job creation

In response, American competitors could raise prices to match tariffs, ultimately resetting the value map: **This is not what Governments want but it is an attractive short-term move**

Concept

**Simon-Kucher
Value Map**



Key takeaways



A key shortcoming of tariffs are domestic competitors can simply reset their relative position

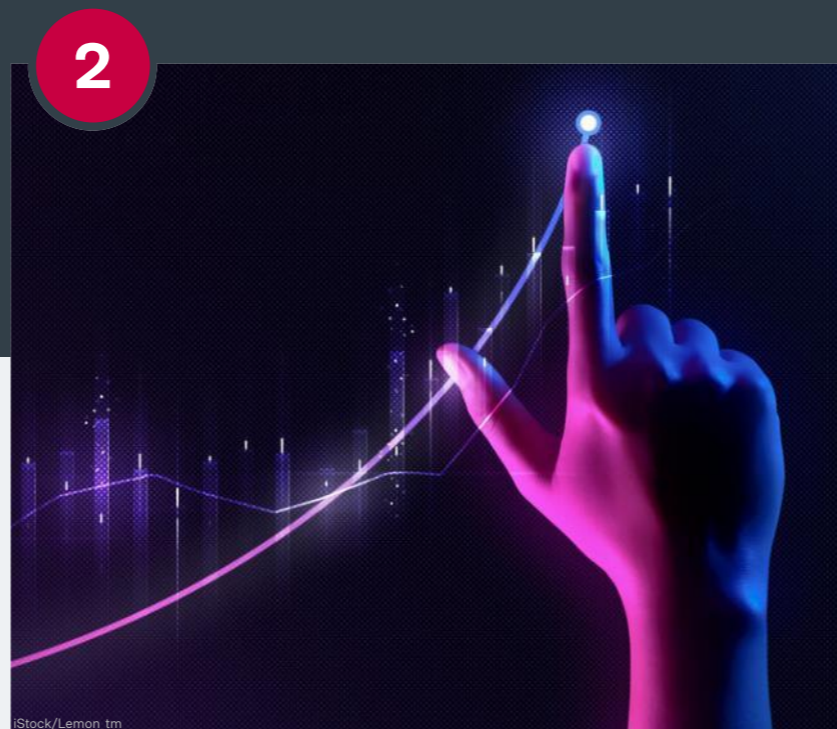
- This increases short-term profitability but not the desired economic investment in capital & labor

Criteria for each action



When to absorb share?

- Scale economics matter
- Firms have the resources to fund expansion
- Capacity expansion can occur within the benefits window of the tariff



When to raise?

- Scale economics are minimal
- Firms are facing an extensional financial crisis
- Capacity expansion is longer than tariff duration



How to execute?

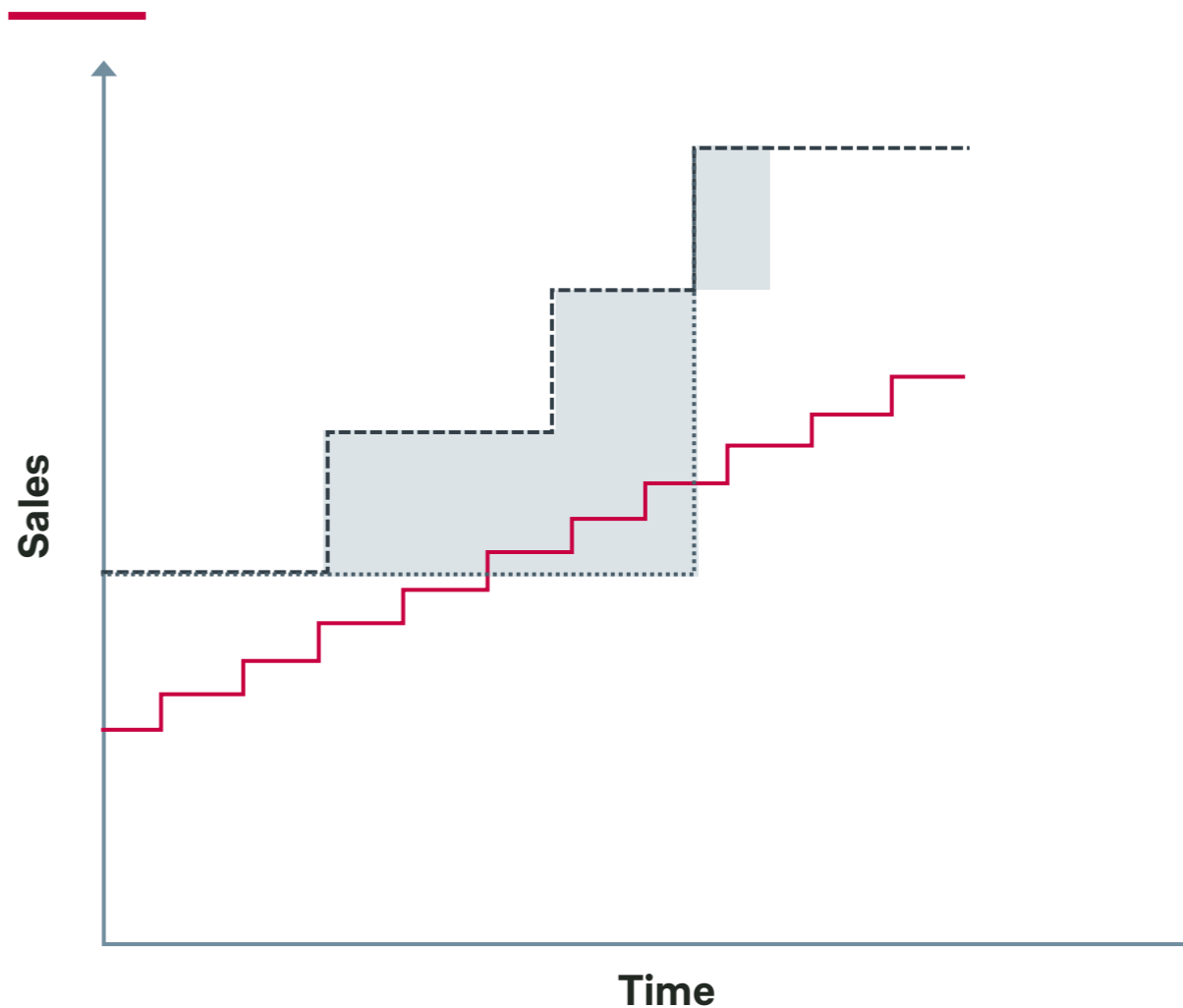
- Matching Price moves
- Surcharges

A popular universal addressed: Multiple small actions result in better outcomes than singular large steps

Gutenberg Price Response Model



Early action provides the real option of multiple smaller steps



2025 Implications: Businesses can toggle between surcharges and price changes as they move up the staircase

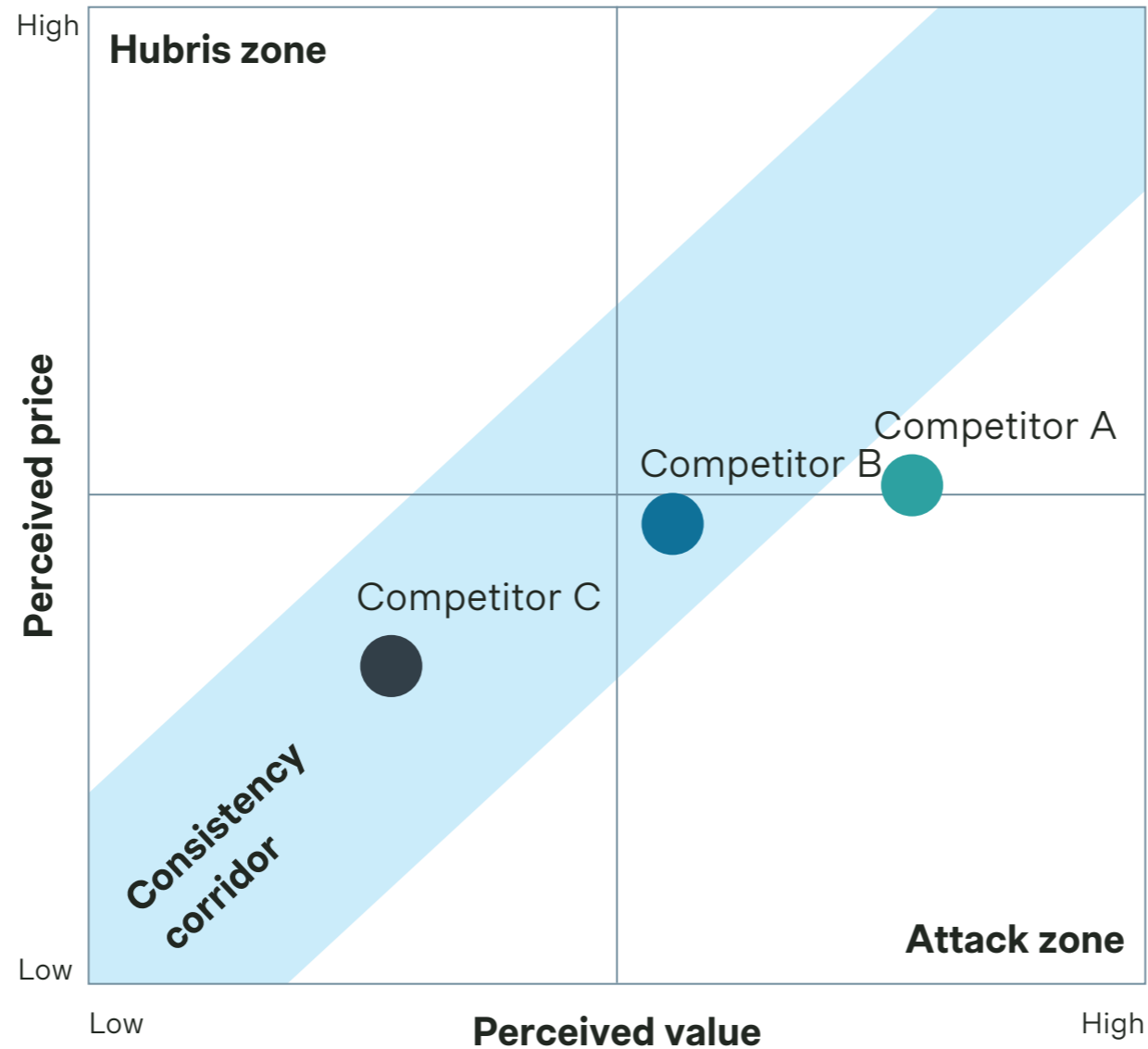
A photograph of a Waffle House restaurant at night. The building has a prominent yellow sign with "WAFFLE HOUSE" in black letters. The interior is visible through large windows, showing a brightly lit kitchen and dining area. The foreground is dark, suggesting a parking lot or street at night. There are decorative white diamond shapes overlaid on the bottom left of the image.

WAFFLE HOUSE

On Monday Feb. 3rd,
Breakfast chain Waffle
House implemented a
\$0.50 surcharge per egg
- *Forbes*

Simon-Kucher's Value Map The reality of most markets

Simon-Kucher Value Map



Concept

Defining the zones

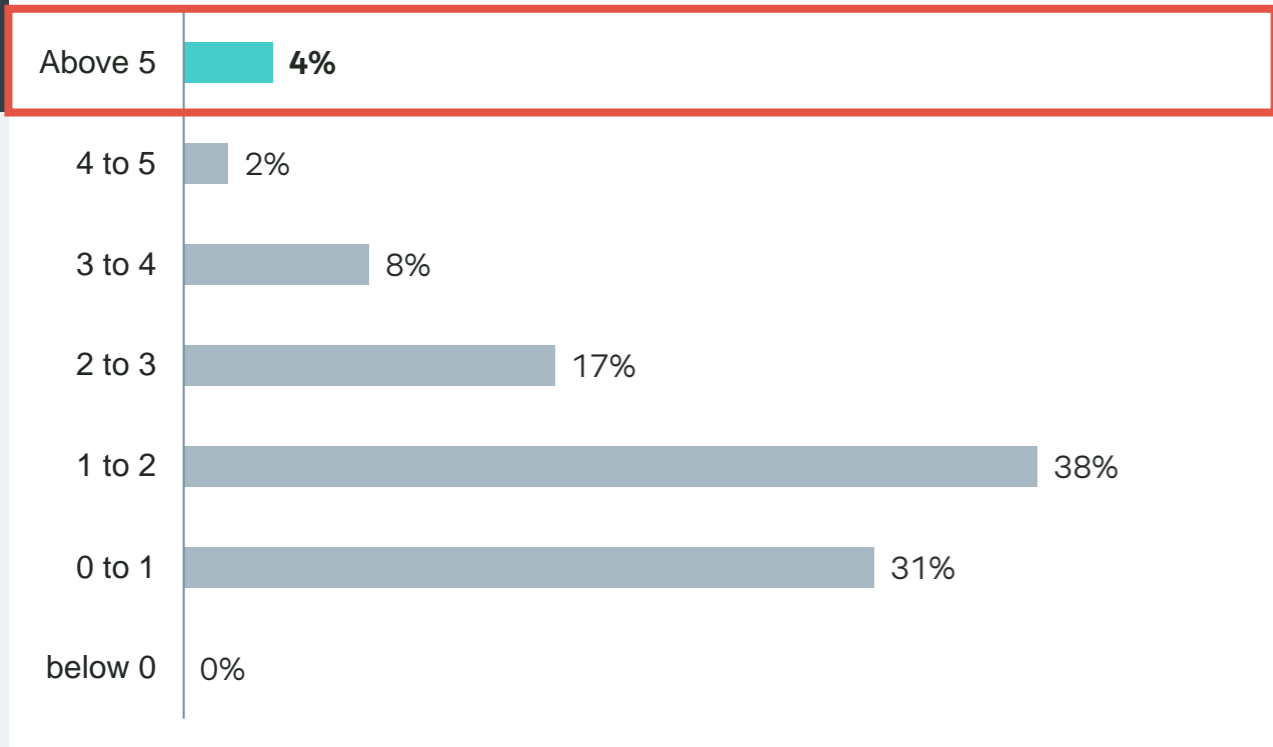
Hubris zone
 Perceived value does not justify price premium. The customer may realize that the product value does not justify the high price and cease buying the product

Attack zone
 Delivering more value than expected, given the price. This can potentially distort the market

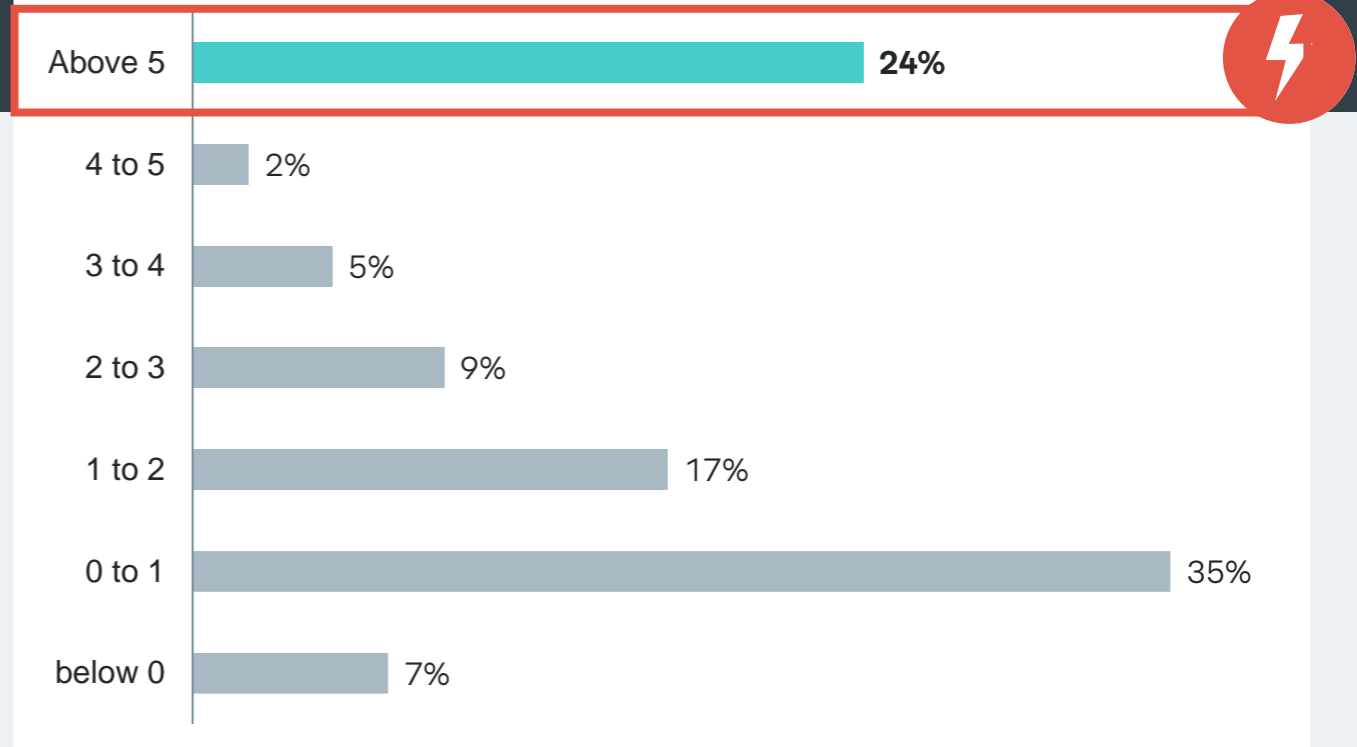
Consistency corridor
 Pricing is consistent to product value. This is a non-aggressive market position

This market reality exists because most executives significantly over-estimate elasticity

Empirically proven elasticity across B2B & B2C industries*



Survey results: Estimate your company's elasticity



 **Key insights**



Estimates are **far too high**

Source: Simona-Kucher & Partners, Global Pricing Study 2021. * Evelyn Friedel (2008): "Price Elasticity: Research on Magnitude and Determinants"

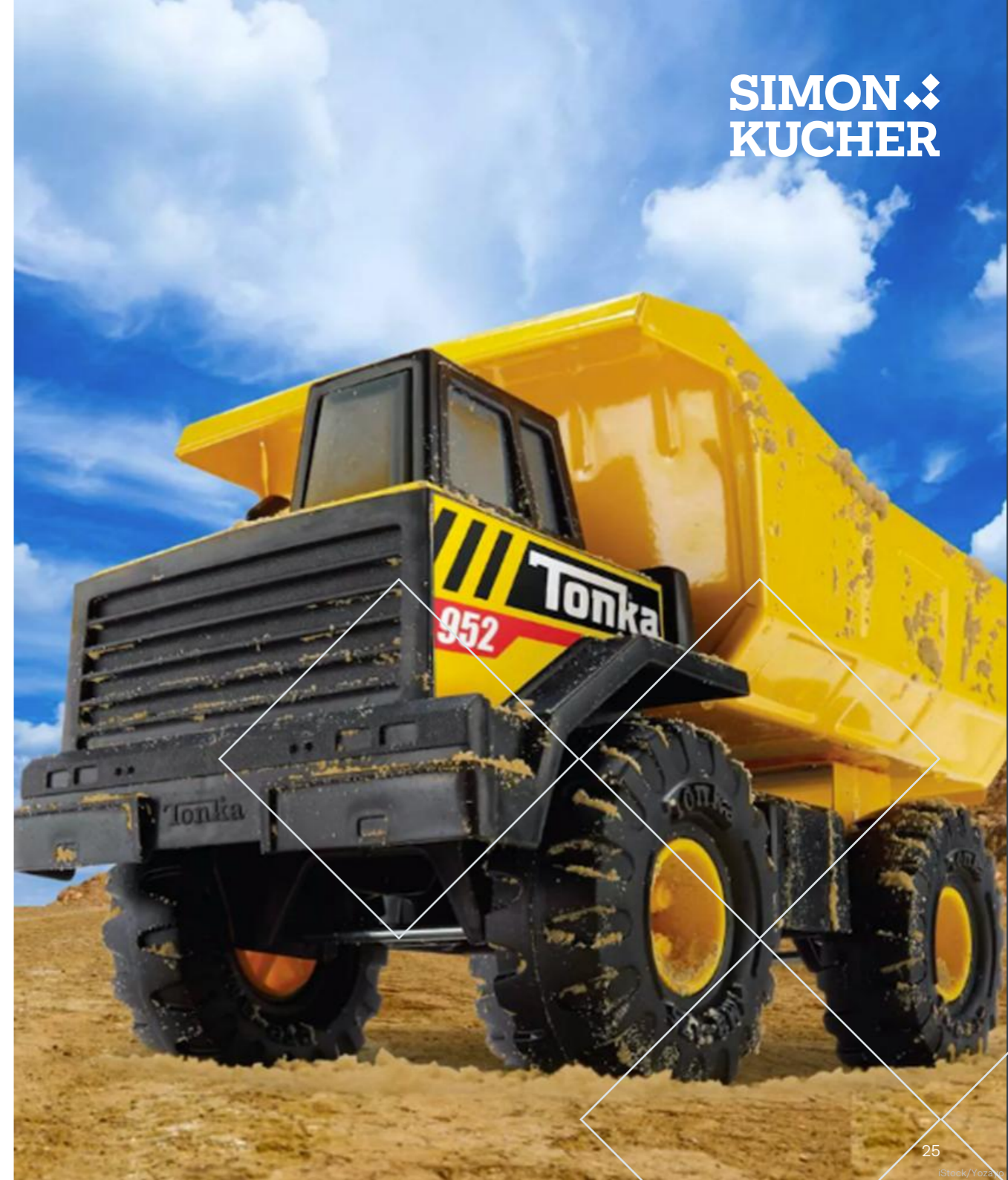
Valuable lessons learned



Tonka trucks

Over a million Tonka trucks are sold in the US each year, and all of them are made in China.

“A 10% import tariff on Chinese goods will probably raise the retail price of the trucks from about \$29.99 today to between \$34.99 and \$39.99”, said Jay Foreman, chief executive of Basic Fun, the toy’s manufacturer.



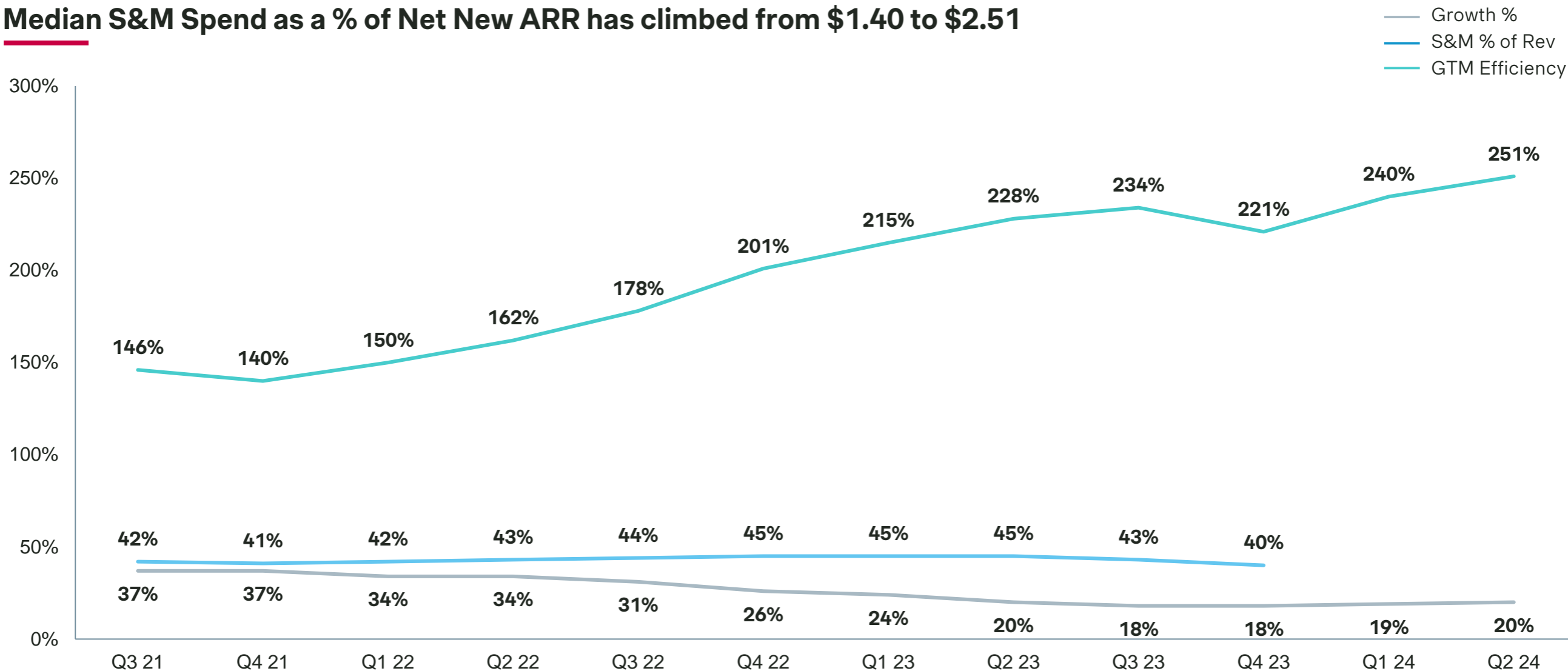


2025 **Growth Lever 2**

2. 

Public SaaS Company data supports the rising cost on New Recurring Revenue

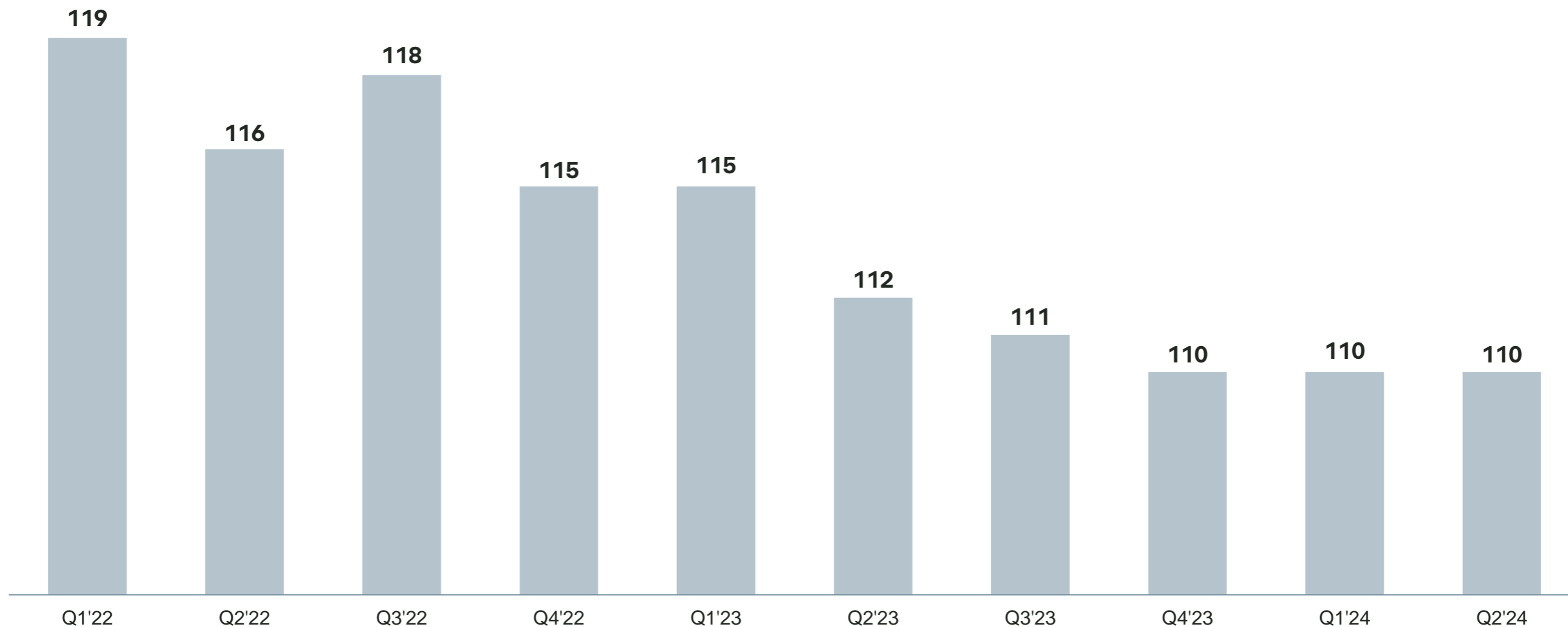
Median S&M Spend as a % of Net New ARR has climbed from \$1.40 to \$2.51



Source: BenchSights data collected from public filings across 73 public SaaS companies

While in the recent macroeconomic environment, the topic has median NDR for Public SaaS companies is down ~9pp since the high in 2022

Median Net Dollar retention (%)



Existing customers have significantly greater economic potential compared to net new

5x
Cheaper

Keeping Existing customers

is 5x cheaper than acquiring new ones

50%
Higher

The probability that new products are tested

is 50% higher for existing customers than for new ones

95%
Share

Existing customers

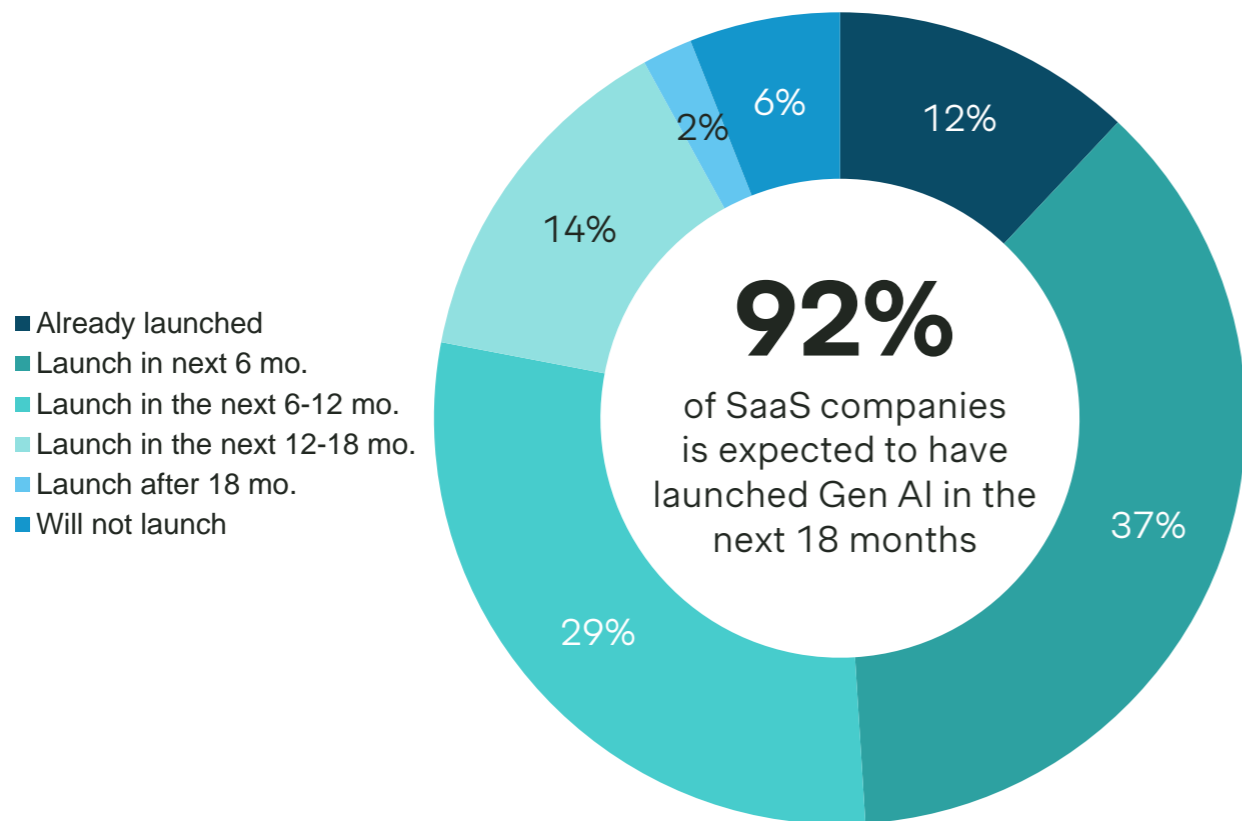
contribute 95% to the profit pool

SaaS businesses are responding with AI

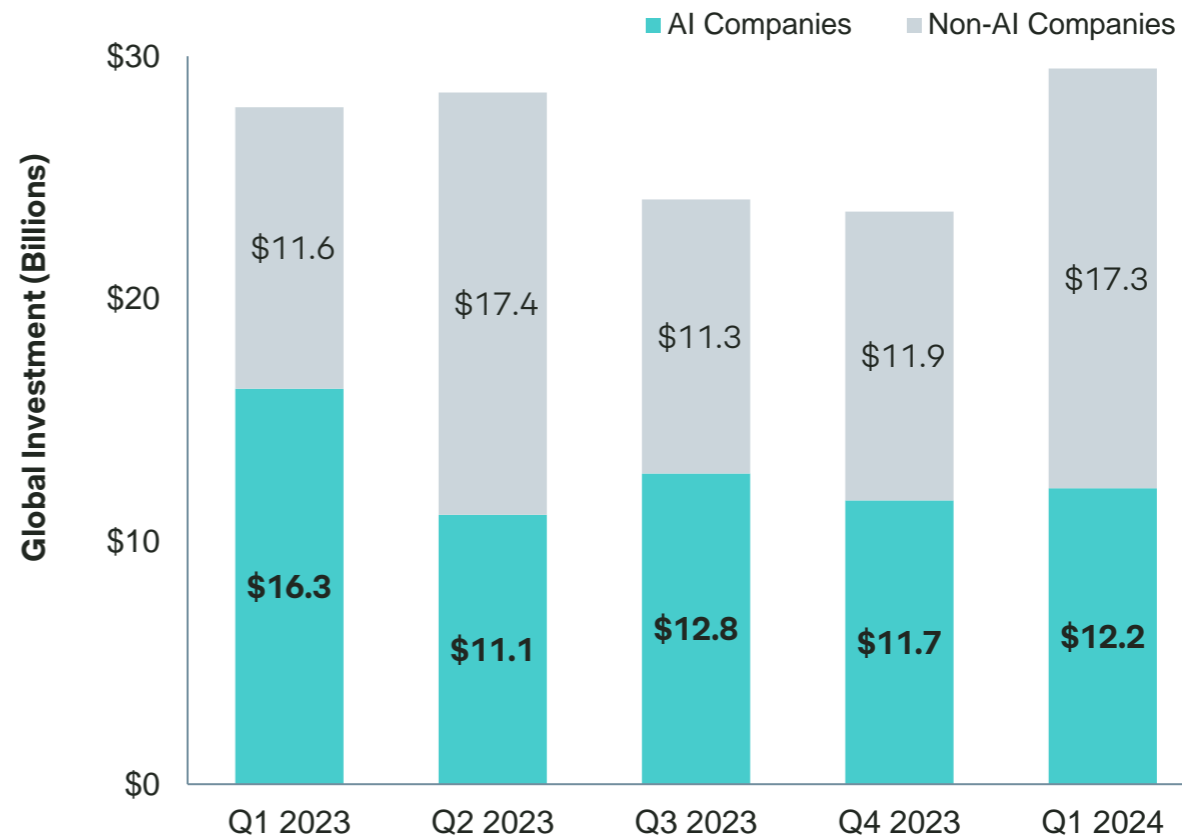
💡 SaaS executives expect Gen. AI to lead to ~18% increase in revenue

>90% of SaaS businesses plan to launch Generative AI products

01100
10110
11110



VC firms have made significant investments in AI & Generative AI startups



Source: Simon-Kucher 2023 Global Software Study (N=514); Crunchbase

Directors Forum | Simon-Kucher: Adam Echter | March 5th, 2025

What does World-Class look like?: Holistic framework for net retention optimization should be structured around 3 points of attack

1 ML Risk Scoring

- **Risk Scoring Framework:** Early Warning Identification of high churn risk accounts
- **Opportunity Framework:** Identification of high velocity accounts for cross-sell/upsell

		Churn Risk Score			
		Low	Medium	High	Very High
Strategic risk: Customer segment	A	Medium	Medium	High	High
	B	Low	Medium	High	High
	C	Low	Low	Low	Medium
	D	Low	Low	Low	Low

- Reduced \$ Churn (Early Warning)
- Upsell: (Velocity Score)

2 Granular CLTV Forecasting

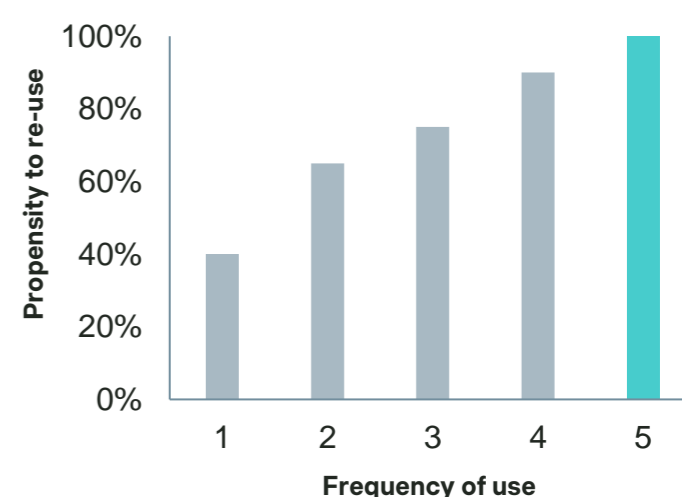
- Calibrated **churn model**
- Identification of **high value cohorts/segments**

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6
Channel 1	120	100	75	50	20	10
Channel 2	115	96	63	42	13	-5
Channel 3	103	96	57	39	-5	-7
Channel 4	96	94	44	21	-23	-7
Channel 5	94	90	37	15	-26	-18
Channel 6	86	81	26	-1	-41	-21

- Higher ACV
- Higher CLTV

3 Habitual Lock-in model

Identification of **lock-in periods (# of uses) or factors (e.g., specific # seats)** to create sticky relationship that maximizes retention & upsell



Reduced \$ Churn

Output

Impact

What's happening now

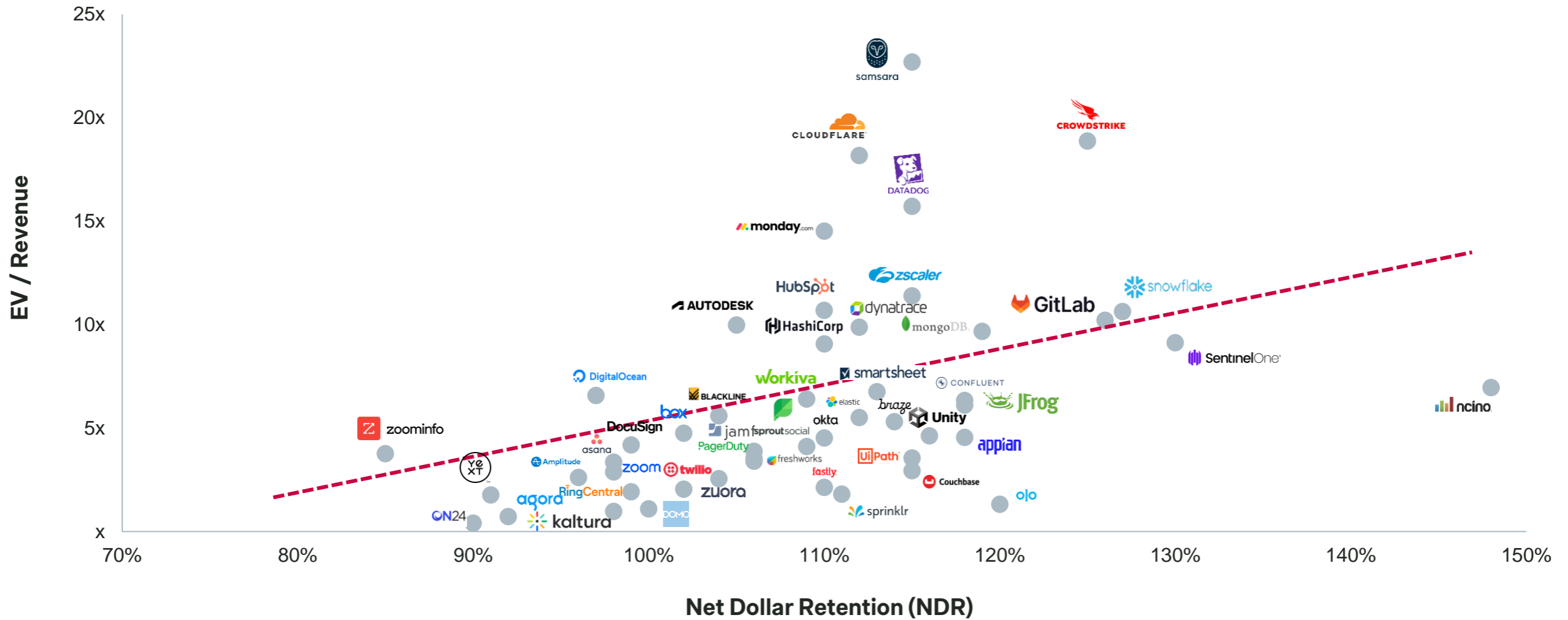


Over-collection of data has muddied the water; separating signal from noise is a common project

Themes	Indicators	Data availability	Statistical impact on churn risk	Prioritization
Adoption	Low or Steep Drop in Consumption	✓	✓	✓
	Consumption Index	✓	✓	duplicate
	Correct Quantity Sold	~	n/a	
	Multi Product	✓	✗	
	Retrofit	~	n/a	
Relationship	EB Relationship	✓	✗	
	Champion Relationship	✓	✗	
	No Financial Stress	✓	✓	✓
	Customer Floating an RFP	~	n/a	
	No EB/Champion change in 6 months	~	n/a	
	No Detractor Present	~	✓	✓
	No Competition Present	~	n/a	
	CHI > 7 collected in 90 Days	✓	✗	
	No AE/SM/MS switched >2x in the last 6 mos.	✓	✓	✓
	No Negative Influence from Partner	~	n/a	
	No Customer Acquisition	~	n/a	
	MS CHI	✓	✗	
Account Owner Present	✓	✗		
POD Sync	✓	✗		
Support	Issue with MS/Support	~	✓	✓
	No Delay/Issue with Product Requirement	~	n/a	
Value	Success Plan In Place	✓	✓	✓
	EBR in 6 Months	✓	✓	✓
	New Use Cases Discussed	✓	✗	
	Integrations functioning properly	✓	✗	
	Weekly VRCI	✓	✗	
	IMPS CHI > 7 in 6 Months	✓	✗	
Implementation	No issue completing implementation	✓	✓	✓

SaaS businesses that excel at farming have been rewarded by investors

Enterprise Value (EV) / Revenue vs. Net Dollar Retention (as of October 2024)



Source: Clouded Judgement, Comparable Companies Analysis for Public SaaS Companies (October 4th, 2024)

**Unlocking
better growth. ♦**