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Revenue Management Strategies for Efficient Growth

In the face of an uncertain economic climate in 2024, savvy leadership teams recognize the distinctive challenges ahead for growing companies.

Rather than adhering to a 'growth at any cost' mindset, forward-thinking leaders understand the imperative to adapt or risk obsolescence. Embracing an optimistic perspective, they are strategically steering towards a path to profitability through mindful and efficient growth strategies. This approach reflects a commitment to resilience, agility, and a future where adaptability is the key to sustained success.

With the VC funding boom of 2021 behind us, numerous companies are grappling with liquidity challenges and have no clear path to profitability. In this shifting landscape, it's essential to pivot strategically, acknowledging the changing dynamics and proactively formulating plans that prioritize sustainability and financial viability. New venture funding hit a **five-year low** in 2023, meaning the VC-reliant approach to growth is no longer a feasible business strategy. A **Fortune magazine cover** of a unicorn corpse marks a symbolic end to an era in which "free money fed a wild herd of startups that measured success by the speed at which they reached billion-dollar valuations." In addition to VC timidness, apprehension about spending is becoming increasingly prevalent among businesses and consumers, creating limited pipelines and slower sales cycles.

We interviewed CEOs of growing SaaS companies to learn how they are preparing to guide their businesses toward efficient growth despite the challenges of tentative target customers and reluctant VC investors. Three key themes emerged:

3 KEY THEMES

1

Grow revenue efficiently with existing resources while focusing on profitability, not growth at any cost. Be patient.

2

Invest in understanding current customers and revenue streams. Understanding customers is critical to avoiding short-sighted business investments.

3

Set realistic revenue targets to avoid negative momentum.

A new set of challenges for growing businesses: Increased caution in 2023 leads to uncertainty in 2024

A few years ago, a surge of post-Covid optimism fueled a remarkable year of economic activity. However, this enthusiasm waned swiftly, and the aftermath reveals the repercussions of a growth-at-any-cost approach. Companies expanded hastily, overstaffed, and set overly ambitious expectations. The influx of VC funding facilitated rapid growth without solid revenue backing. Now, a recalibration is imperative as organizations navigate the consequences of overzealous expansion.

“Companies raised so much money and now don’t know their path to profitability,” says Adam Robinson, CEO at **Retention.com**. Layoffs, inflation, and fears of a recession dominate today’s economic conversations. Increased caution across the board is creating new limitations for companies looking to grow their revenue. Everyone, from VCs to CFOs to consumers, is playing it safe.

> “Unicorns are now paying the price for their growth at any cost approach.”
>
> Alan Murray and Nicholas Gordon in **Fortune Magazine**

CHALLENGE #1:

Significantly less VC funding is available

VC funding, the ultimate growth accelerator, is a fast way for companies to scale and acquire new customers using external financing. In 2021, growth start-ups took advantage of a robust oasis of VC funding. Global venture investment in 2021 totaled **$643 billion**, an all-time high. Late-stage growth companies can obtain even more capital through an IPO, and the IPO market also reached unprecedented heights in 2021 – a record **1,035** companies went public.

However, many of these VC investments and IPOs were made with unrealistic valuations. Start-ups failed to hit lofty targets and interest rates started to rise, causing VC firms to become more frugal.

The unbridled optimism of VC firms was replaced with caution – global venture investment funding in 2023 was **$285 billion**, a 56% decrease from 2021. "The fundamental economy of overvaluing tech companies may change, and that's a risk," says Aurelien Mottier, CEO at Operatix.

What does this mean for growing businesses in 2024? They need to find ways to grow without the help of external capital. They can't sacrifice efficiency and sustainability for the sake of rapid growth.

> “The primary strategy for 2024 is: How do you ensure you are a profitable business? How do you ensure that you are a business that is not dependent on venture funding?”
>
> Edward Chiu, CEO, **Catalyst**

CHALLENGE #2:

Target customers are increasingly cautious, leading to longer sales cycles and limited pipeline

VC funding has been a lifeline for businesses with limited revenue, allowing them to stay afloat. Now, in the absence of VC funding, the focus shifts to actively selling products or services to customers and generating revenue. However, in a market where customers might not readily seize the opportunity to make purchases, businesses are facing challenges beyond the disappearance of VC funding. Lengthier sales cycles and constrained pipelines add complexity to the growth journey. Nevertheless, this landscape also presents an opportunity to embrace efficiency and streamline efforts. Amid this environment, where investments undergo heightened scrutiny, it's essential to view the situation as a chance to refine strategies and build more resilient, customer-centric approaches.

For companies with a B2B business model, potential customers are shrinking their budgets and becoming more critical of their investments. Edward Chiu, CEO at **Catalyst**, expects mounting financial caution by his target customers to make it vastly harder for his company to close deals. Chiu observes that "the world is not done consolidating and cutting. Budgets are going to be tight and sales cycles are going to be longer. *CFOs are becoming more cautious and stringent.*" Chiu is looking to grow his company sustainably and efficiently, but his potential customers are trying to do the same with their businesses, too. This makes it much harder to convince a CFO to dig into their operational budget and buy a new product or service.

B2C companies are bracing for increased difficulty, as well. The caution about spending that is permeating the business world is similarly extending to the consumer realm. Consumer spending growth was down **four percentage points** from June 2022 to June 2023 according to Forrester.

Adam Robinson, CEO and founder of **Retention.com**, has a front-row seat to consumer spending habits. "Interest rates are higher, and that is filtering its way through the world. Everyone in America is spending far less money [on consumer goods]," says Robinson. Economic uncertainty is trickling down from financial institutions to businesses to consumers. Persuading customers to allocate their valuable funds toward your product or service may pose a significant challenge, especially if it is not deemed essential.

A big consequence of increased caution from potential customers is longer sales cycles. According to a survey by Tomasz Tunguz at **VC firm Theory**, startups experienced a 24% increase in sales cycles from 2022 to 2023. Longer sales cycles are a big deal – according to **Hubspot**, 28% of sales professionals say long sales processes are the biggest reason they cannot close deals.

> The risk is that the market and the economy are changing the way our customers are buying, and we need a response to that."
>
> Aurelien Mottier, CEO at Operatix

CHALLENGE #3:

The future is harder to predict than ever

The economic future is always difficult to predict with any degree of certainty. But today it may be harder than ever. **Many economists were supremely confident** that the U.S. would experience a major recession in 2023, yet inflation cooled and no recession came. Now economists are predicting that the economy will **continue to grow** in 2024, but other macro variables are increasingly unstable. "One of our biggest concerns is geopolitical risk, and that's totally out of our control. We're in an election year, too," says David Chun, CEO at Equilar. Mottier agrees: "The U.S. could raise interest rates again, we don't know. There's a lot of things out of our control."

And even the variables within your business' control can be unpredictable. Chun continues, "What we can control is introducing new technology, but how do we get people to overcome the friction of adopting new technology, especially when it hasn't already been budgeted for the year?" Holding on to current customers may prove difficult as well: 50% of subscription professionals expect their churn rates to increase in 2024 (**Chargebee's 2024 State of Subscriptions and Revenue Growth**).

In times of uncertainty, it's more difficult to judge how your target customers will react to your product. And if they do react positively, it's hard to know whether they will have the budget to buy.

When you have investors to answer to, this uncertainty is significantly more consequential. By growing efficiently, you can reduce your vulnerability to external variables that are out of your control.

Navigating to success: Looking inward and focusing on controllable factors

The CEOs we talked to are combating uncertainty with 3 key strategies that allow them to efficiently grow without external capital and maintain focus on *sustained, resilient profitability*.

STRATEGY #1:

Be patient and bootstrap future growth with existing resources and profits. Avoid a “growth at any cost” mindset.

Increased difficulty in selling your product doesn’t mean that you should become impatient and start looking for outside capital to spur growth. None of the CEOs we interviewed are relying on potential VC funding in 2024. They recognize that it’s ok if it takes a little longer to reach their growth goals because they are prioritizing efficiency rather than speed. The consensus among business leaders is that a focus on efficiency is the key pathway to achieving profitability (**Chargebee’s 2024 State of Subscriptions and Revenue Growth Report**).

Data from **Chargebee’s 2024 State of Subscriptions and Revenue Growth Report** shows that companies are 4x more inclined to emphasize efficient growth over cost-cutting. What if your company is still in an early stage where it can’t generate enough efficient revenue to bootstrap more growth? Some CEOs might again begin to look for outside growth capital, but the CEOs we interviewed recognize that they have opportunities to unlock more revenue in their existing revenue streams.

> “We’re going to fund ourselves by reinvesting profits. If it takes longer to grow, that’s ok, but we’re not going to spend more.”
>
> Adam Robinson, CEO, Retention.com

STRATEGY #2:

Invest in understanding your current customer base to explore untapped revenue in existing streams

The CEOs we interviewed recognize that understanding their current customers is key to efficiently growing revenue. The obvious path to generating revenue is to sell more. But, it's difficult to acquire new customers at a reasonable cost when potential buyers are apprehensive. That's why it's critical to focus on selling and customer success. "We are investing in enhancing customer understanding. Just because someone uses your product doesn't mean they are happy with it," says Edward Chiu, CEO at **Catalyst**. Chiu recognizes that satisfied customers are more likely to invest further resources with your company. By unifying sales goals with customer success goals, you are reducing the resources needed to acquire new customers. Chiu notes that "by creating a successful customer experience, you can drive into other departments at companies you are already in. There's more possible revenue within the organization." Rather than looking to bring on new customers, Chiu sees the opportunity to unlock more revenue within his existing customers. By doing so, Chiu can be less worried about having a limited pipeline of new customers.

But that doesn't mean that happy current customers can't help you find new customers, too. "We get a lot of leads for referrals. Referrals come from existing customers who are really happy. To get more of this, we need customers who are happy with what we are delivering and understand the value of our service," says Aurelien Mottier, CEO at Operatix. Mottier realizes that happy existing customers naturally create new leads, which is critically important when pipelines are otherwise limited.

Ensuring customer satisfaction boosts your confidence in forecasting future revenue. David Chun, CEO at Equilar is measuring customer success to guide where he invests in his team: "We're now investing in our sales team because we know we've reached product market fit. We have great reference accounts we can point to." Consider an alternative approach: If Chun only focused on acquiring more customers, he might not realize that his current customers are unsatisfied and that his product needs fine-tuning. By analyzing the satisfaction of his current customers, Chun is confident that he has product-market fit and knows that his budget will not be wasted by investing more in his sales team. The most obvious benefit of high customer success is high levels of customer retention. In a world of limited pipelines and long sales cycles, what better way to generate predictable revenue than by retaining the customers you already have?

> "Our objectives are crystal clear: enhance customer retention."
>
> Jen Spencer, CEO, **SmartBug Media**

STRATEGY #3:

Make realistic revenue targets that allow you to patiently grow and avoid negative momentum

As we talked about before, many VC-backed companies took advantage of the excessive optimism of 2021 to raise money on lofty valuations with ambitious revenue targets that have yet to come to fruition. Now, these companies cannot grow patiently because their VC backers expect them to hit unrealistic revenue goals.

On the other hand, bootstrapped growth can afford to be patient: “We’re bootstrapped, we don’t have anyone to answer to. The only person I’m upsetting if I miss growth revenue targets is me,” says Robinson, who championed the importance of patience throughout his interview.

Not meeting revenue targets not only disappoints investors but also harms the chemistry and confidence within your business. “Negativity that comes with failure to reach a revenue target can spread quickly throughout an organization. Engineers wonder if it’s their fault. Then they wonder maybe the sales team can’t sell,” says Chiu. Failure quickly leads to frustration, and you’re left with your teams pointing fingers at each other trying to assign blame.

Jen Spencer is discouraging her business from developing tunnel vision on top-line revenue growth: “First and foremost, our goal is to grow our revenue efficiently by ‘drinking our own champagne.’ What does that mean? Well, it’s not just about increasing our top-line figures, but doing so in a way that optimizes our resources and maximizes our return on investment.”

When your revenue targets are realistic, you avoid the urge to make risky investments to try to reach an overly ambitious revenue target. You don’t sacrifice long-term success just to hit one short-term ambitious target.

Maybe you feel like you need a safety net in the form of venture debt. Chiu notes that hitting your revenue target also gives you a much better chance to secure venture debt. By setting realistic revenue targets, you allow your business to grow patiently and efficiently while creating positive momentum amongst employees.

Chargebee’s 2024 State of Subscriptions and Revenue Growth Report indicates that nearly half (47%) of respondents agree that improving customer retention is a top priority in 2024. Other top priorities include Improving the Customer Experience (43%) and expanding subscription base (converting one-time purchases into subscribers) (40%).

A highly effective shortcut to efficient revenue growth: The subscription model

Bootstrapping future growth by maximizing your current revenue streams may seem overly intimidating, but subscription models make it significantly easier. A successful subscription model is a surefire way to deliver repeatable, scalable, and profitable growth while building strong customer loyalty. Business leaders are growingly optimistic that 2024 will be a year of efficient growth through subscriptions: Chargebee's 2024 State of Subscriptions and Revenue Growth Report indicates that 96% of respondents anticipate subscription revenue growth in the coming year, a 20 percentage point increase from 2023.

Creating, optimizing, or expanding a subscription-based revenue model allows you to implement the above strategies that our CEO interviewees are emphasizing for their businesses in 2024:

1 How can a subscription model help you understand your current customers and revenue streams?

A subscription model enables you to experiment with price to understand what your customers value the most about your product. What are they willing to pay more for? Chargebee, the #1 subscription and revenue growth platform, allows you to experiment with pricing changes and easily observe resulting customer behavior. You can also implement opportunities for customers to upgrade or downgrade, or you can explore reactions to free trials. Chargebee makes it easy for you to see how your customers react to these changes.

When you understand what your customers value, you can set up a successful pricing model that your customers are happy with and that maximizes your business' revenue. With Chargebee, you can safeguard customer loyalty by ensuring that your pricing experiments are confined only to new customers. This way, you can prevent the potential loss of existing customers due to sudden increases in prices.

Nearly three-quarters of subscription leaders (73%) plan to increase prices in 2024, an increase from 62% in 2023

Chargebee's 2024 State of Subscriptions and Revenue Growth Report

Understanding customer preferences also enables you to be more confident in your business investments. Invest in the areas that you know will pay off - maybe you choose to strengthen a popular feature or improve a less popular feature. Predict how your customers will respond to investments rather than taking shots in the dark.

CASE STUDY

How Agorapulse used a subscription model to optimize pricing and grow revenue by 20%

2 How can a subscription model increase your ability to set realistic revenue targets?

A successful subscription model creates predictable recurring revenue. If you know your existing customers will consistently pay you, you have a good idea of how much revenue you will generate from those customers. But getting customers to pay is easier said than done - customers will forget, they'll have problems with their payment method, they'll pay the wrong amount...a lot can go wrong.

With Chargebee, you can facilitate recurring payments for your customers by implementing a system that not only sends payment reminders but also automates billing and invoicing. Chargebee highlights relevant data points like new sales, payments collected, MRR, activations, churn, and more. This data allows you to have total visibility into your revenue.

You are not solely relying on new customer acquisition to generate revenue, which combats the issue of limited pipelines and slower sales cycles. Future revenue is more predictable and you can set data-backed revenue targets accordingly.

CASE STUDY

Subscriptions can be implemented anywhere: How Pret a Manger introduced a coffee subscription program

3 A subscription model represents an opportunity to grow without new VC funding or high-risk investments.

An effective subscription model allows you to take control of your revenue and reduce uncertainty, even in turbulent economic conditions. You can unlock new revenue within existing revenue streams by maximizing your understanding of your customers. You can make sure your product and service are priced in a way that optimizes revenue while assuring customer loyalty. You can have confidence that your investments in your business will produce the desired customer response. All with no outside growth capital necessary.

The good news is that Chargebee makes it easy to implement a subscription model into all types of businesses, from B2B software to consumer goods.

Find a path to profitability with a subscription model

The CEOs we interviewed are confident that 2024 can be a successful year where their businesses grow efficiently despite economic uncertainty. Apprehension is spreading rapidly, from VCs to business decision-makers to consumers, but the CEOs we interviewed have strategies to counteract this.

Adaptive CEOs are looking inward and focusing on controllable variables to grow revenue efficiently. We learned that businesses are looking to maximize their understanding of current customers to increase control of existing revenue streams. You can unlock and capture new revenue, create realistic expectations, and grow confidently by doing so.

This seemingly difficult mission can be accomplished by implementing a subscription model. A subscription model allows you to grow revenue while balancing new customer acquisition and retention. You can understand what your customers value about your product, create an optimal pricing model, and have confidence in your business investments. With a successful subscription model, you can create predictability in an otherwise unpredictable world.

Chargebee makes it easy to control your revenue through a finely tuned data-backed subscription business model. With Chargebee, the full potential of your business is unlocked.

Get a full version of Chargebee's 2024 State of Subscriptions and Revenue Growth Report:

Get the report →

About Chargebee

Chargebee is the leading Revenue Growth Management (RGM) platform for subscription businesses. Our mission is to help businesses of all sizes to grow their revenue by providing a comprehensive suite of solutions, including subscription management and recurring billing, pricing and payment optimization, revenue recognition, collections, and customer retention. Chargebee is trusted by businesses of all sizes, including Freshworks, Brevo, and Study.com, and is proud to have been consistently recognized by our customers as a Leader in Subscription Management on G2. To learn more about how Chargebee can help unlock and maximize revenue growth, visit **www.chargebee.com**.

About Pavilion

Pavilion is the ultimate destination for go-to-market leaders to unlock their professional potential. By leveraging the strength of community-powered learning, Pavilion members facilitate skill development, foster meaningful connections, and drive collective growth for their businesses. Members include sales, marketing, success, and RevOps leaders from the globe's fastest-growing companies.