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Patrick Falle • Feb. 13, 2018

Discounting. There is nothing worse for customer service in the world of SaaS than offering a discount, and yet every salesperson at every software and SaaS provider does it.

Why? Because we all want to get that last-minute deal, to close the month, or quarter, or year strong. Negotiating with customers and offering incentives is part of doing business. Negotiating with prospects however is a bad idea, and in the world of SaaS prospect and customer are two totally different things.

Prospects are everyone you talk to everyday. They are businesses that may even have

- They are not going to be billed until they go live. After all its an annual contract and it's in the cloud, so if they aren't using it why should they pay?
- Any price increase on the SaaS service in subsequent years will be based on what they paid the prior year, not based on list price.

When SaaS providers offer a discount, the cycle of poor customer success begins:

Prospective Customer ABC wants to buy your SaaS solution. They speak to a salesperson, they see a demo, they get buy-off from their manager, negotiate a 20% discount and then place an order (they send in a signed contract). From that point customer service (or go live) begins the process of trying to contact the customer and get them live. The same customer that needed the service two hours ago, is no longer returning phone calls because they have twelve other projects that are more important that need to get completed, but no biggie, they aren't planning on paying you until they are live anyway, raise your hand if you have been here.

If they do go live, its leads to an entirely new set of issues upon renewal.

Customer ABC buys the service. The annual contract is $10,000. You offer a 20% discount to bring them in the door and close the month strong. A $10,000 annual service has now been sold for $8,000. After a year, it's time for the customer to renew. Prices have been increased by 5% or CPI. So, the new contract is now $10,500 instead of $10,000 correct? That's the way the SaaS provider sees it, but it's not the way the customer does. The customer see's that the $8,000 contract that they have paid for a year ago, is now $10,500 or in other words a 25% price increase. Now you have a very upset customer, and time that should be spent on customer success, is now instead focused on just trying to keep the customer.

There is a solution to this. Don't discount … rebate. If a customer wants or needs 20%

achieve this.

12 months later upon renewal…

12 months after going live the prices increase 5% or CPI. Originally the customer was billed $10,000. A 5% increase would make the renewal $10,500. In actuality, the customer paid $8,000 because they went live 20 days after they signed a contract, and earned a rebate. A price increase of 5% now feels like 5% instead of 25%.

Faster go lives, fewer cancellations, and higher customer success can be the new normal with a little forward thinking.

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