

# Software Firm Benchmarking Guides Migration to Subscription-Based License Model

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## The Situation



To keep pace with market trends, a private equity-owned global

software firm was in the process of migrating from an on-premise, perpetual license model to a subscription-based revenue model. If that wasn't enough, the rapid growth of the previous five-plus years was causing growing pains. The company required several updates to sales processes and roles. Additionally, increasing market competition meant time was of the essence. Getting the new sales model right "out of the gate" was critical.

## The Challenge

The client needed to recalibrate their sales strategy, structure and management to support a successful migration towards a subscription model. In order to support and capitalize on changing buyer needs, the launch of a full transformation of the sales organization was required. This meant a revamp of the sales process, channel strategy, job roles and supporting enablement initiatives. The company had to balance driving this change with the least amount of disruption and dilution to current and next quarter results.

## The Solution

The Alexander Group (AGI) began by conducting a global assessment of the client's current sales organization to identify readiness to migrate to a subscription-based license model, leveraging the firm's deep XaaS industry research and best practices. AGI benchmarked sales time, productivity, sales compensation and deployment metrics to a custom group of industry peers.

The AGI team collaborated with sales leadership to create a future state coverage model that created distinct roles to focus on new business generation. Working closely with sales leadership, sales operations and finance across North America, Europe and Asia, AGI developed new quota, crediting and sales compensation plans to align to the desired migration path. AGI compensation plan analysis and benchmarking showed the existing sales compensation plans did not provide parity for subscription sales; as a result, sellers pushed perpetual license sales. Furthermore, a lower percentage of sales representatives were making quota compared to benchmark, indicating a need to reassess the quota-setting process. Unattainable sales goals and a lackluster compensation model led to higher-than-benchmark turnover and weak subscription license sales.

Finally, an analysis of how sellers spent their time showed that high-cost sales resources were spending above-benchmark time on low-value activities such as customer support. Benchmarking of deployment ratios confirmed that customer support resources were insufficient. AGI recommended a true customer success function in order to support subscription-based customers.

## The Benefit

AGI designed the future state go-to-customer model including job roles, sales compensation program, enablement tools and implementation roadmap to support the client's journey to subscription. This requirement alignment received approval from the board and executive leadership. With AGI's help, the leadership transitioned from a position of "the fear of the unknown" to a position of confidence. Soon they embarked on changing the sales model based on solid industry benchmarks, carefully calculated plans and leading XaaS sales model practices.