

**Granularity
of Growth:**
Polish Software
Development
Companies

SoDA Conference 2021



 **Valueships**

Foreword



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- 1 Covid-19 accelerated digital transformation at full speed. What has been only a conference buzzword became our reality.
- 2 While most people believe that pandemic impact was negative, but their outlook towards the future is more than positive (according to our 3rd Covid vs. business survey). The sentiment increases and will be better.
- 3 What became more important is how we create a lasting impact through technology for our clients: how we communicate the promise and deliver on it.
- 4 We have seen heavy push towards social media, content marketing, webinars, podcasts, and pay-per-click. These channels transformed software development company marketing & sales model.
- 5 Those who were brave enough reaped the fruits - we have observed better profitability and boosted growth whenever the marketing & sales engine expenses were increased.
- 6 Previous results were declarative, but in this report, we're taking an in-depth outside-in perspective on actual websites of 149 software development companies who are members of Software Development Association Poland. Every member will receive a dedicated benchmark page with their results.
- 7 We have analyzed the traffic, granularity of growth, traffic sources, and channel effectiveness. It's the first report like that in Poland, which combines survey-based answers and data from the best-in-class market intelligence tool. Enjoy it and see which strategies work and what needs to increase your inbound marketing capabilities.

Content of the report

1. Intro



2. New model of marketing & sales in Polish Software Development



3. Website Traffic Size of Polish Software Development Companies



4. Granularity of Traffic Growth – Multiplier Model



5. Recommendations and next steps

Key takeaways



Pandemic influenced growth

Almost 80% of analysed companies managed to achieve growth in average monthly UV number; proving the case that covid-19 increased the digital transformation trends and increasing the overall client base of software development companies.



Organic seems to be the way to go

Better performing companies seem to court significantly more traffic from search engine. They also tend to exploit wider range of traffic sources.



You need 16K UV monthly to be in the top 10% UV-wise

Companies who had 16K monthly UV on average constituted the top 10% of all analyzed software companies - majority of Polish SH is below this level.



Website growth is a compound interest

If you've achieved growth in 2019, then you received a substantial premium in 2020, and vice versa – top companies grow at 5x higher speed than the market.



It's hard to move up, easy to fall

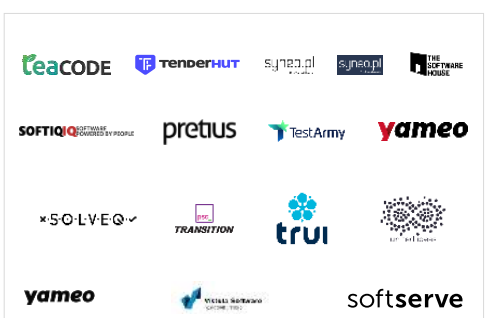
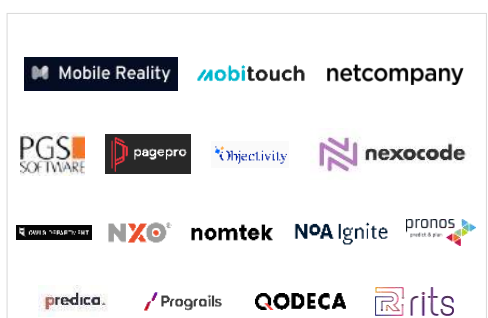
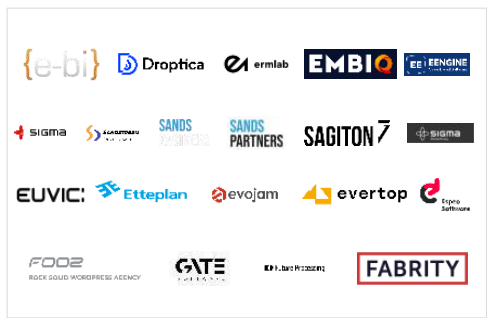
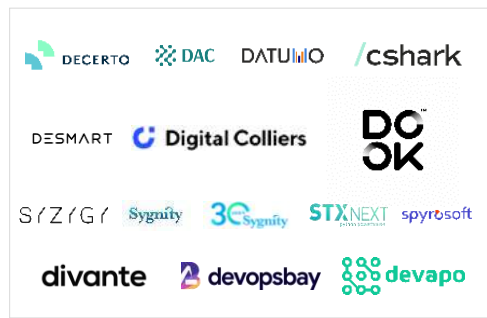
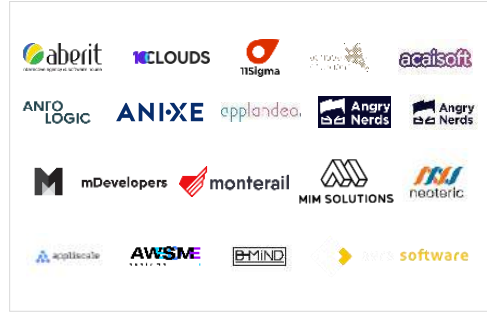
Players who were not in the top segments have a hard time to move to the "super growers" stage, while the probability of falling to "laggards" is much higher – companies need to rethink their acquisition strategies



It's hard to move up, easy to fall

The companies who managed to create their owned channels, e.g, strong SEO content, referrals, e-mail list tend to grow faster; they still boost their growth with paid search, but don't rely fully on them

We have gathered the data for following companies



Reach out to soda@valueships.com to receive detailed methodology; if you're a SoDA member, the benchmark was already shipped to you

A few words about the report methodology



We created a list of 129 SH domains of 118 companies. Analyzed data depicted Polish software development company Digital Landscape for two 12-month periods: August 2019 to July 2020 and August 2020 to July 2021



Our primary focus was to estimate the size of each domain based on the average monthly Unique Visitors number and dividing the sample into categories size-wise and growth-wise.



Then we looked at the similarities and differences between categories concerning aggregated data on their traffic sources. It allowed a better understanding of the granularity and contribution of each channel to the overall market segmentation.



A linear regression model was used to estimate the dominating trend for each company in 2019/2020 and 2020/2021. Based on regression, we created a Growth Multiplier model that helps to estimate monthly growth of UV for each SH domain roughly.



We also looked closely at the changes in growth (UV) and the differences in traffic sources' shares between those who managed to increase their growth speed and those who didn't. It allowed segmenting SH domains into a few growth buckets.



Our multipliers provide an in-depth view of what we call: "A Growth Premium," which shows how growing companies accumulate their trajectory and multiply it in the following years. In other words, those who grew in 2019 grew even faster in 2020.

You need to understand two most important metrics defined in this report



Traffic Size

Companies were divided into following segments:

1. Very Big
2. Big
3. Medium
4. Small
5. Very Small

What is the unique visitors of website?



Growth Bucket

Trajectories were divided into following:

1. Supergrower
2. Top Grower
3. Strong Grower
4. Grower
5. Slow Grower
6. Lagger
7. Decliner

What is the overall growth/decrease slope of website?

Content of the report

2. Marketing & Sales changes in Polish Software Development



1. Intro



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4. Granularity of Traffic Growth – Multiplier Model

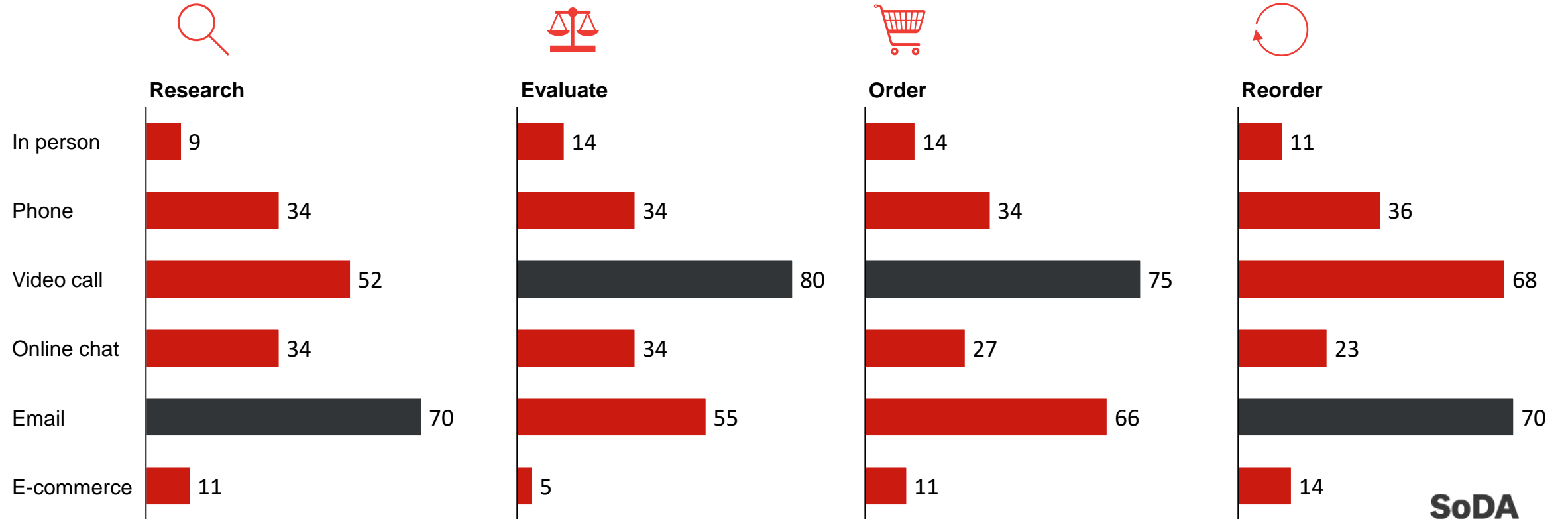


5. Recommendations and next steps

#3rd Covid-19 vs. Business Report recap: video calls became essential in client's buying journey

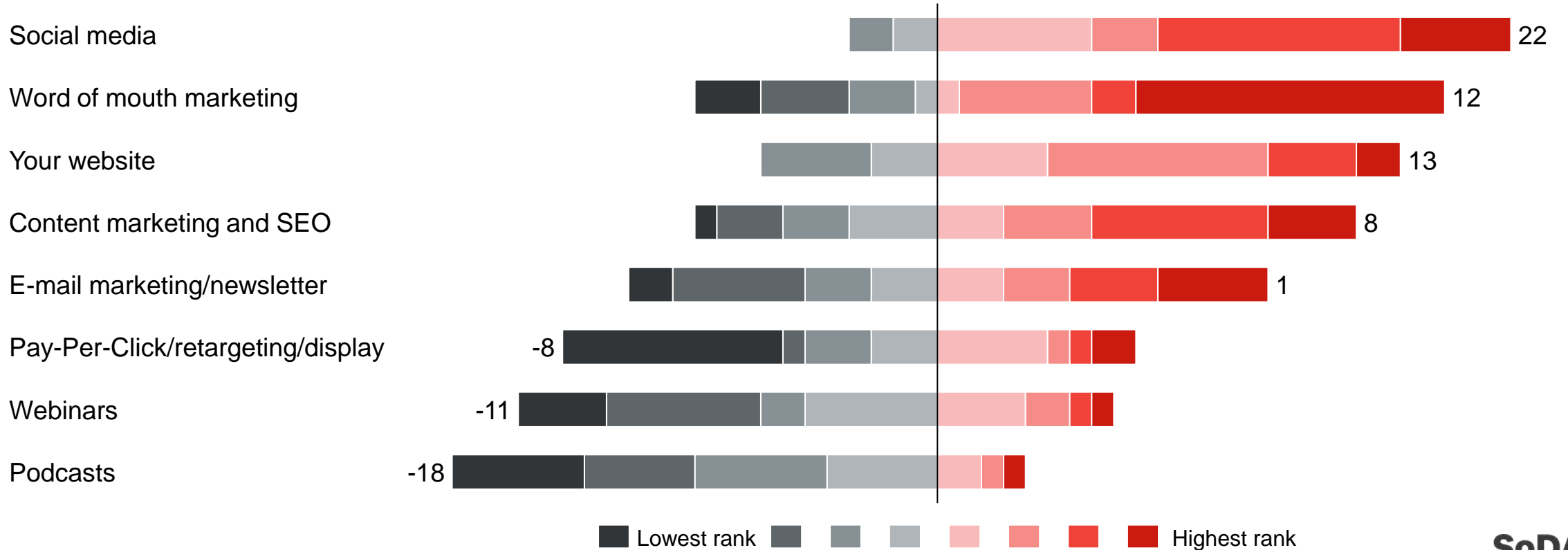
How currently clients interact with your company/sales reps? Which channels has increased the presence during the pandemic?
 By stage in the customer decision journey, %, N=44

■ Declared over 10% channel usage increase



#3rd Covid-19 vs. Business Report recap: Owned and earned channels proved to be most effective; podcasts and webinars rank as lowest

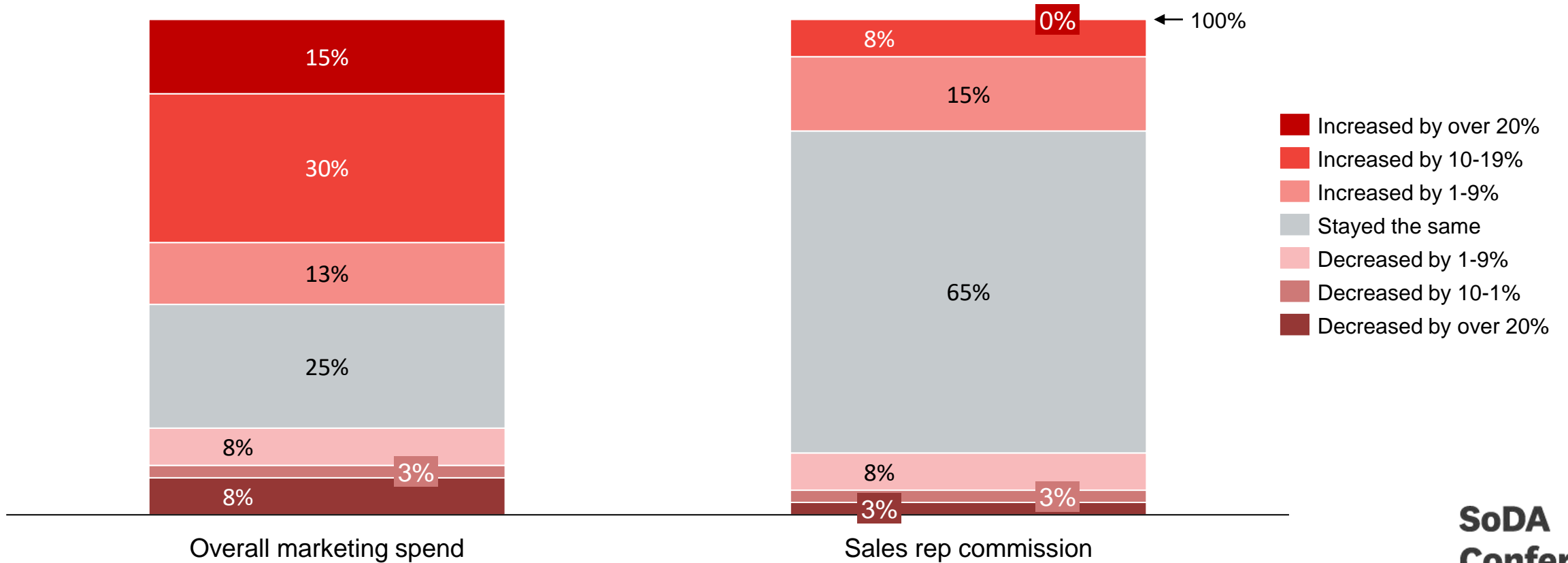
Which online channels were the most/least effective during the pandemic? n=39



Source: SoDA #Covid-19 State-of-the-market report

#3rd Covid-19 vs. Business Report recap: More fuel for growth engines – 58% of the firms increased spend; 23% invested in sales reps

What happened to the following sales & marketing aspects in 2020? N=40, %



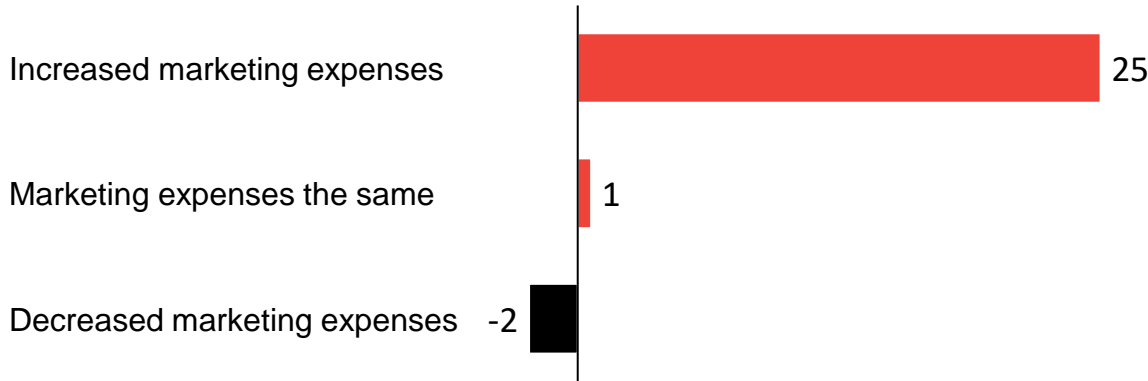
#3rd Covid-19 vs. Business Report recap: Decreasing the marketing expenses results in lower profitability, while M&S spend boosts profit & growth

Marketing & Sales expense increase impact on growth and profitability
 N=40, Pearson correlation



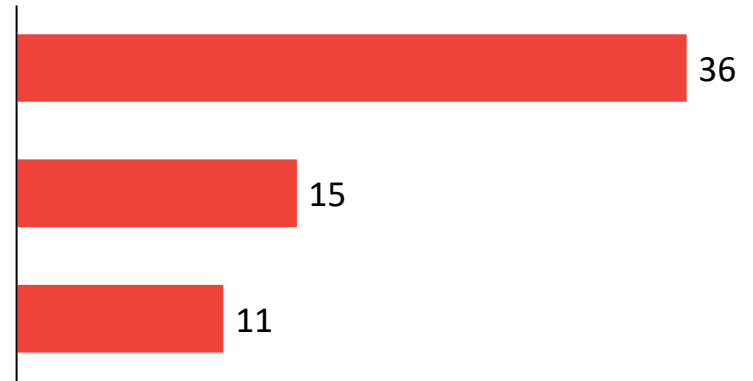
How much your overall EBITDA profitability changed within 2020 vs 2019?
 %

$R^2=0.421$



What is your overall growth rate within 2020 vs 2019?
 %

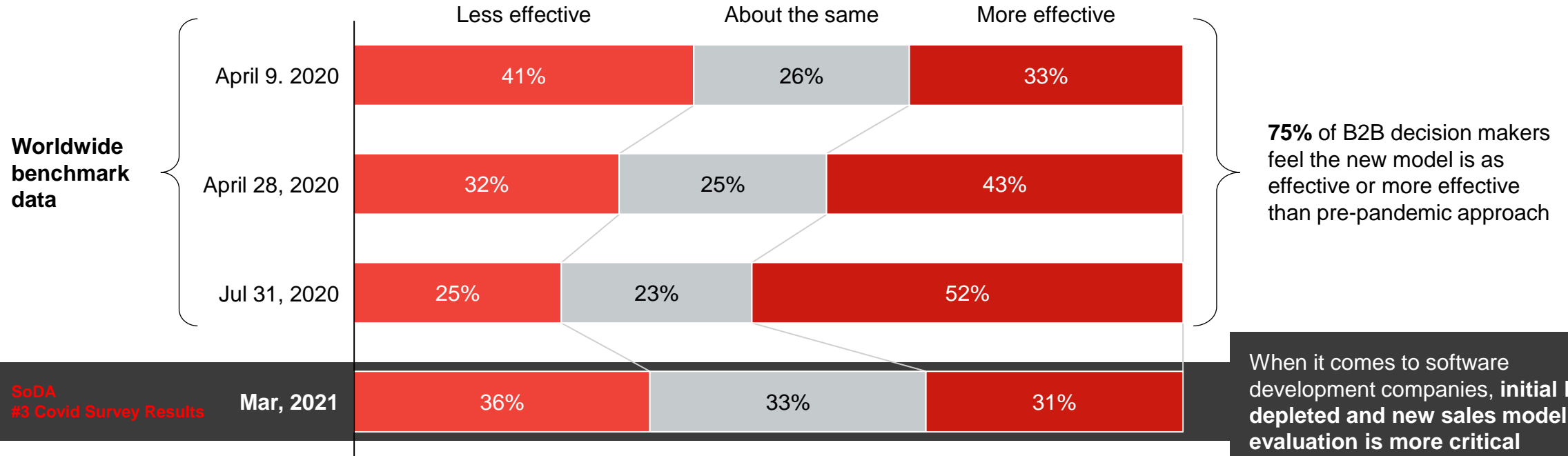
$R^2=0.365$



Despite relatively low sample size, **we observe a positive correlation between an increased marketing spend and increased profitability and growth rates**; visible tendency of boosting profitability and growth engine with marketing fuel

#3rd Covid-19 vs. Business Report recap: In comparison with worldwide benchmark, our responders are more critical towards digital sales

How effective is your company's new sales digital model at reaching and serving customers?
 % of answers of TMT companies vs. SoDA survey, N=39

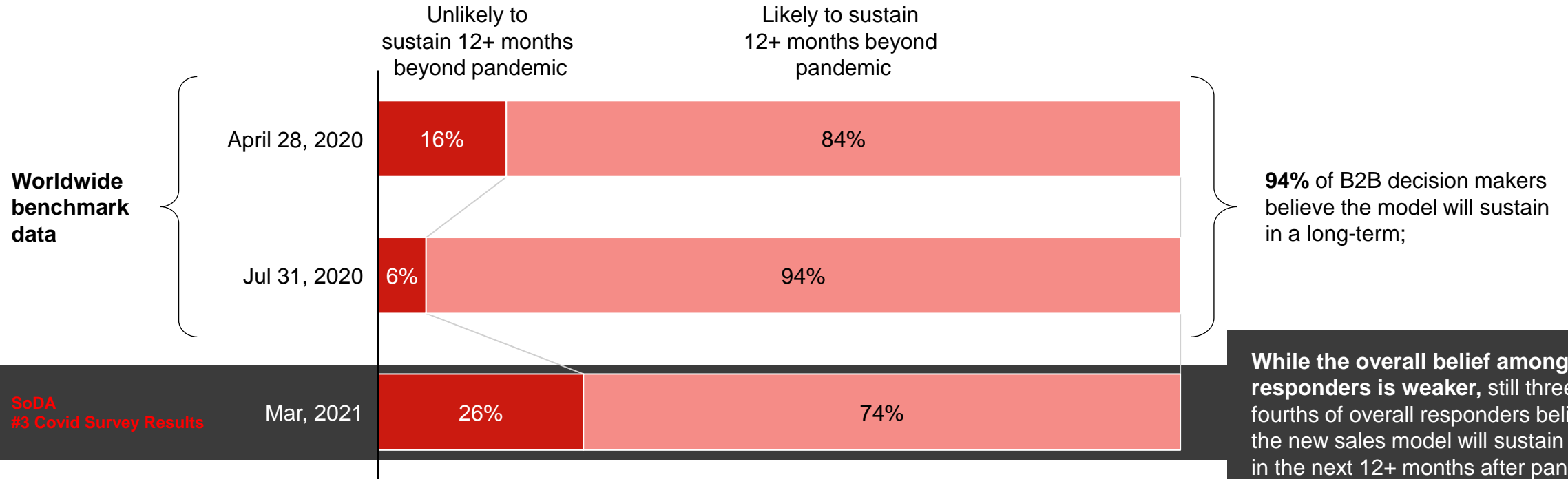


Source: covid.mckinsey.com/b2b-sales

#3rd Covid-19 vs. Business Report recap: Majority of the companies believe the new digital sales will stay with us in a long-term

How likely is that the new sales model will sustain 12+ months beyond pandemic?

% of answers of TMT companies¹ vs. SoDA survey, N=39



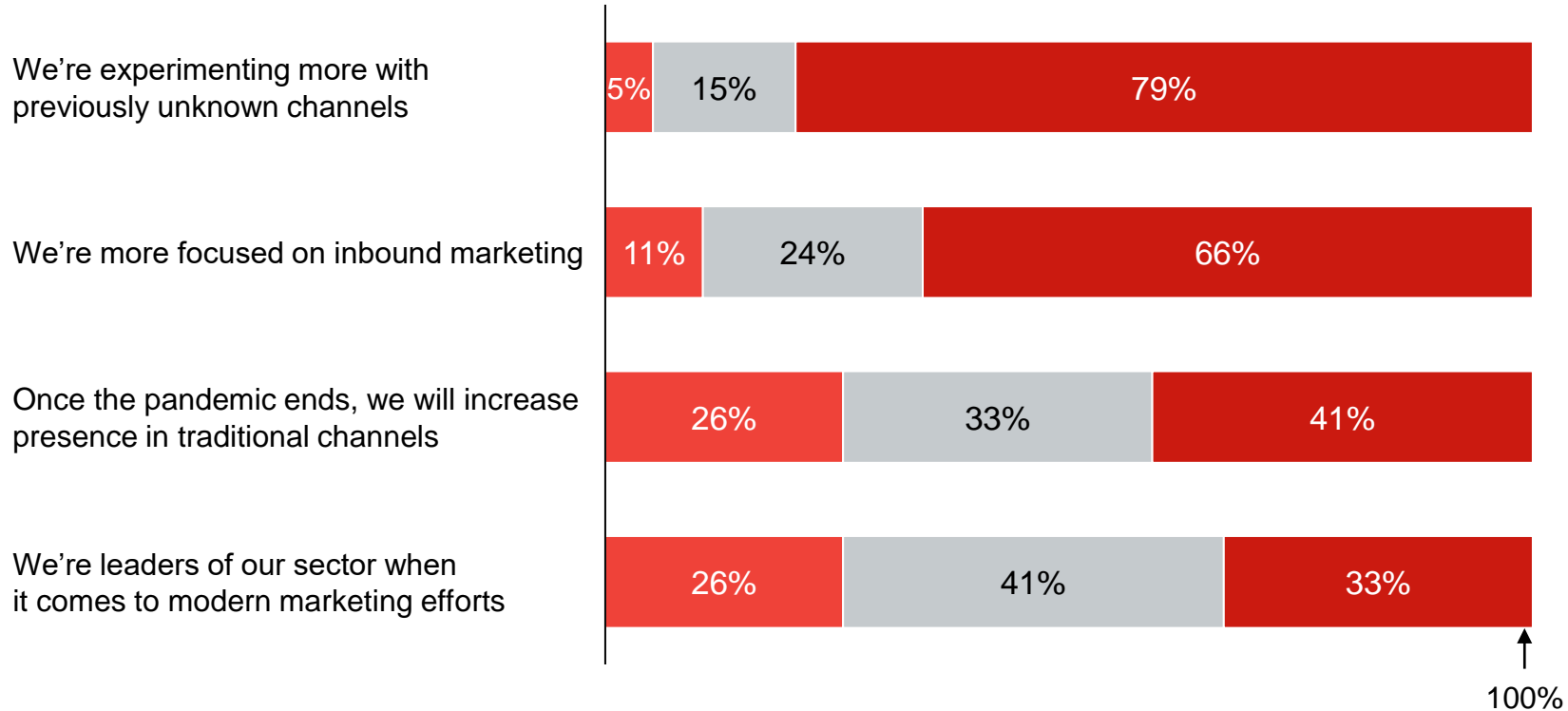
1. Q: "Which of the following statements best describe the changes your company has made to its commercial and go-to-market model during COVID-19?"

Source: covid.mckinsey.com/b2b-sales

#3rd Covid-19 vs. Business Report recap: Experimenting with inbound is the new black for software companies

What is your attitude towards the following statements?¹
N=51, %

Disagree Neither Agree nor Disagree Agree



xx% Top-2-Box²

- 31% **Almost everyone started to experiment with M&S** - pandemic opened the new channels opportunities, previously untapped
- 26% **Inbound**, esp. social media and owned content, **proves to be the most effective** – two-thirds of the companies focused on it
- 13% **Pursue for new hybrid model** – we will see some comeback towards traditional marketing efforts
- 10% **10% of the companies see themselves as sector leaders**; others are more conservative in their judgement

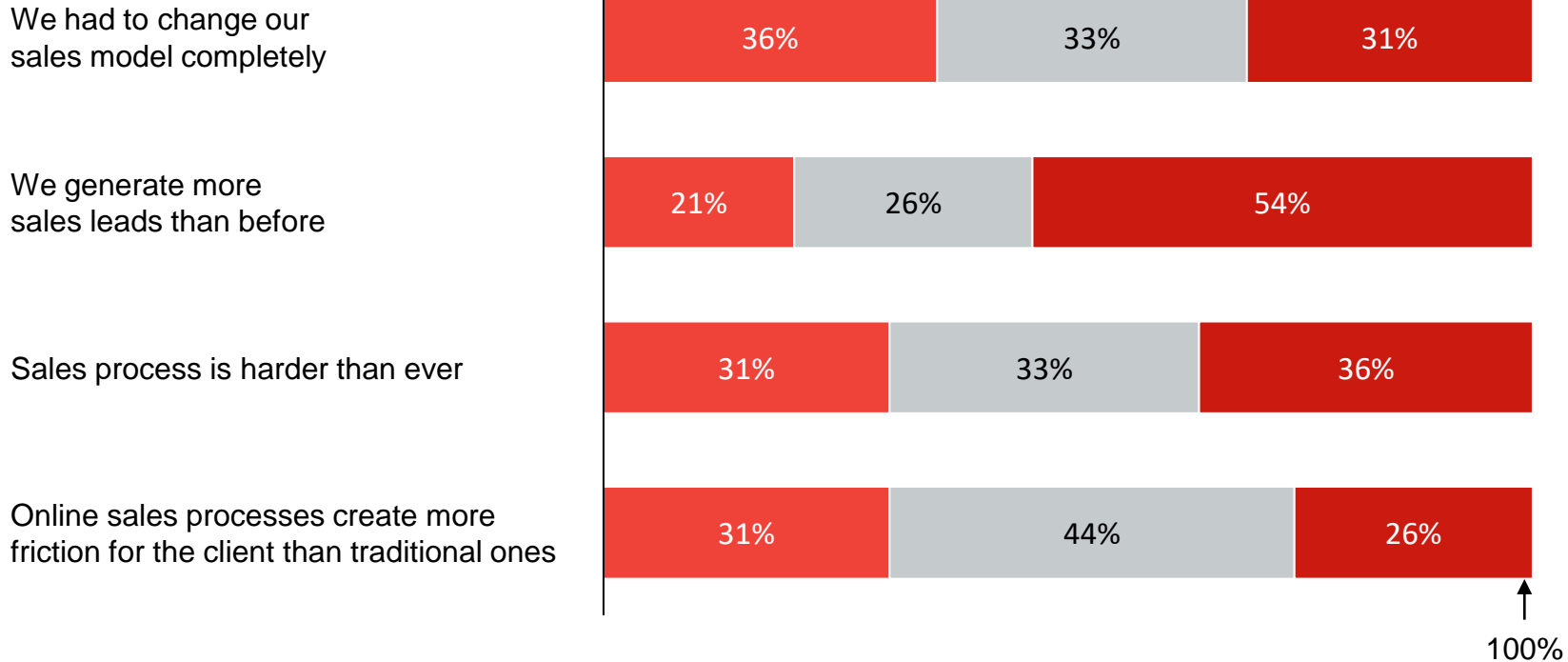
1. "Very Strongly Disagree", "Strongly Disagree", "Disagree" answered connected into "Disagree"; "Agree", "Strongly Agree", "Very Strongly Agree" connected to "Agree"
2. Two highest positive answers, in this case: "Strongly Agree" and "Very Strongly Agree"

No consensus when it comes to the new sales model

What is your attitude towards the following statements?¹

N=51, %

Disagree Neither Agree nor Disagree Agree



xx% Top-2-Box²

- 10% While some companies were somewhat prepared towards digital sales, **one-third of them had to change their model**, and 10% had to do it comprehensively
- 15% **Strong project demand on the market** as companies generate more leads than ever before
- 18% For those who didn't digitize earlier enough, **sales process is harder and provides more challenges**
- 8% No agreement when it comes to **client friction in digital sales model** – potential for in-depth evaluation

1. "Very Strongly Disagree", "Strongly Disagree", "Disagree" answered connected into "Disagree"; "Agree", "Strongly Agree", "Very Strongly Agree" connected to "Agree"
 2. Two highest positive answers, in this case: "Strongly Agree" and "Very Strongly Agree"

Connections, referrals, and word of mouth were mentioned as the most effective marketing & sales ideas

Which marketing & sales ideas during the pandemic have been the most effective for your organization?

Word cloud, N=17 answers



Content of the report

3. Website Traffic Size of Polish Software Development Companies



1. Intro



2. New model of marketing & sales in Polish Software Development



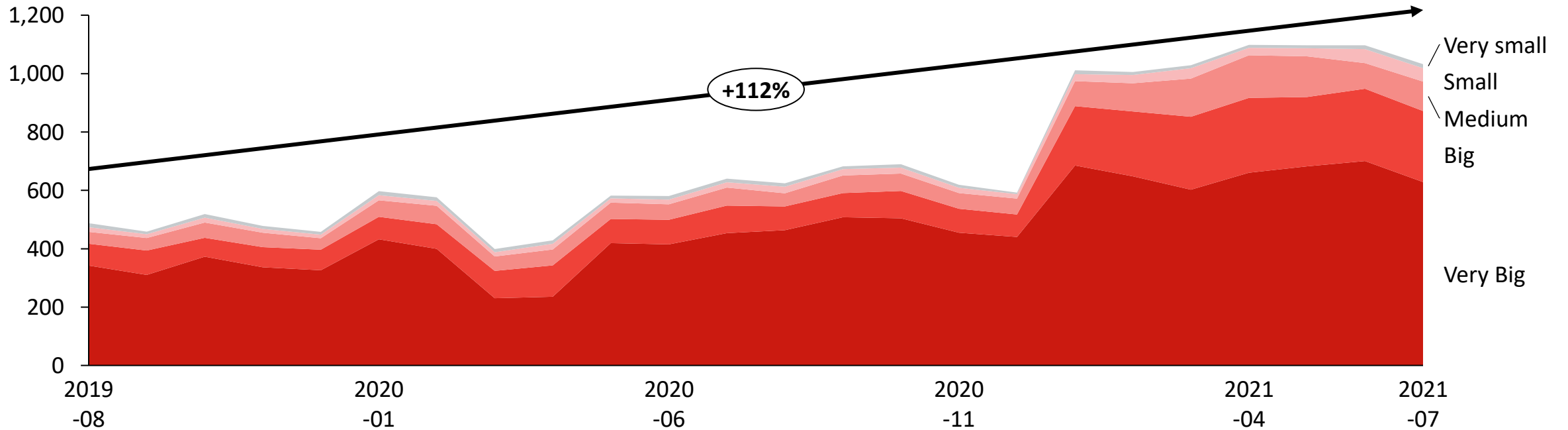
4. Granularity of Traffic Growth – Multiplier Model



5. Recommendations and next steps

Overall, the traffic base of software development companies increased twofold, especially in the mid-market

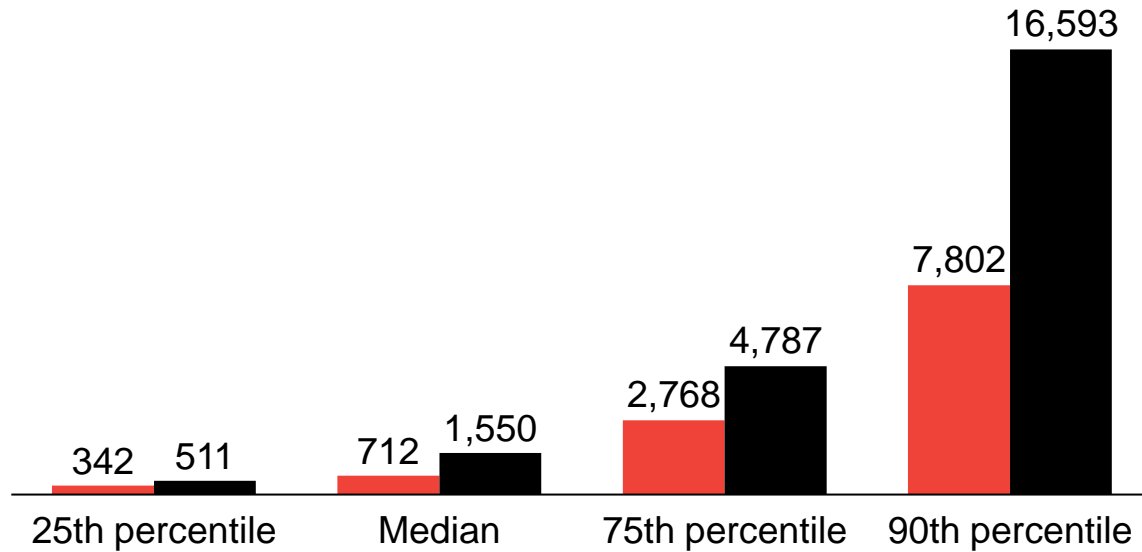
Total unique visitors on websites of Polish Software Development Companies
Thousands, N=129



You need to hit 16K monthly unique visitors to be among top 10% websites

Traffic segmentation of Polish SH domains, N=129

■ 2019/2020 ■ 2020/2021



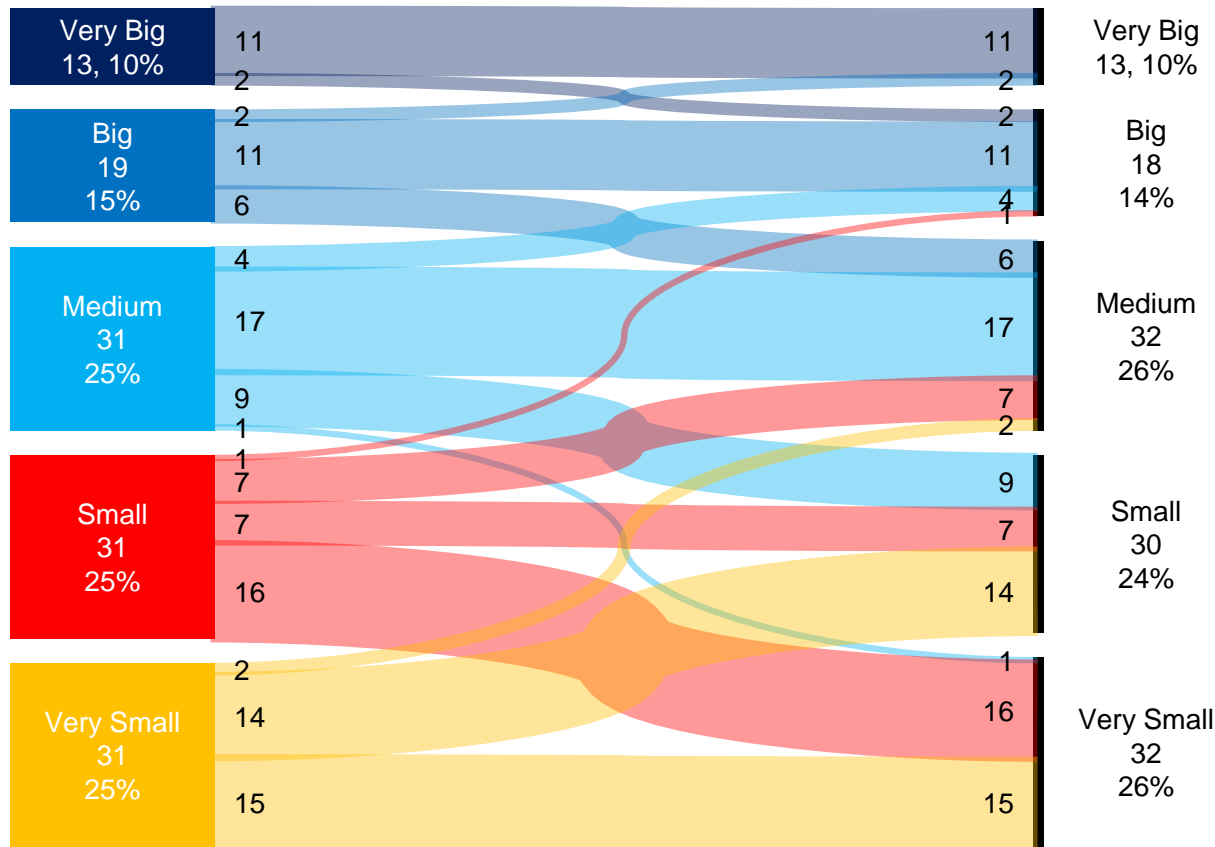
Segment's type	2019/2020 UV	2020/2021 UV
Very Big	7,802 +	16,593 +
Big	2,769 – 7,802	4,787 – 16,593
Medium	712 - 2769	1,550 – 4,787
Small	342 - 712	511 - 1550
Very Small	< 342	< 511

- **We observe “a winner takes all” situation;** the disproportion in the UV is clear; top domains steal most of the traffic and attention of the marketing base
- **Strong asymmetry in size** – those who were big in 2019/2020 captured even more traffic within next year
- **Visible growth between 50th and 75th percentile,** indicating marketing push of mid-market companies

Traffic mobility tends to be limited - it's hard to enter the top 10% club, and those who are there are not willing to move down

Probability of moving between the traffic segments, N=125

Total = 125

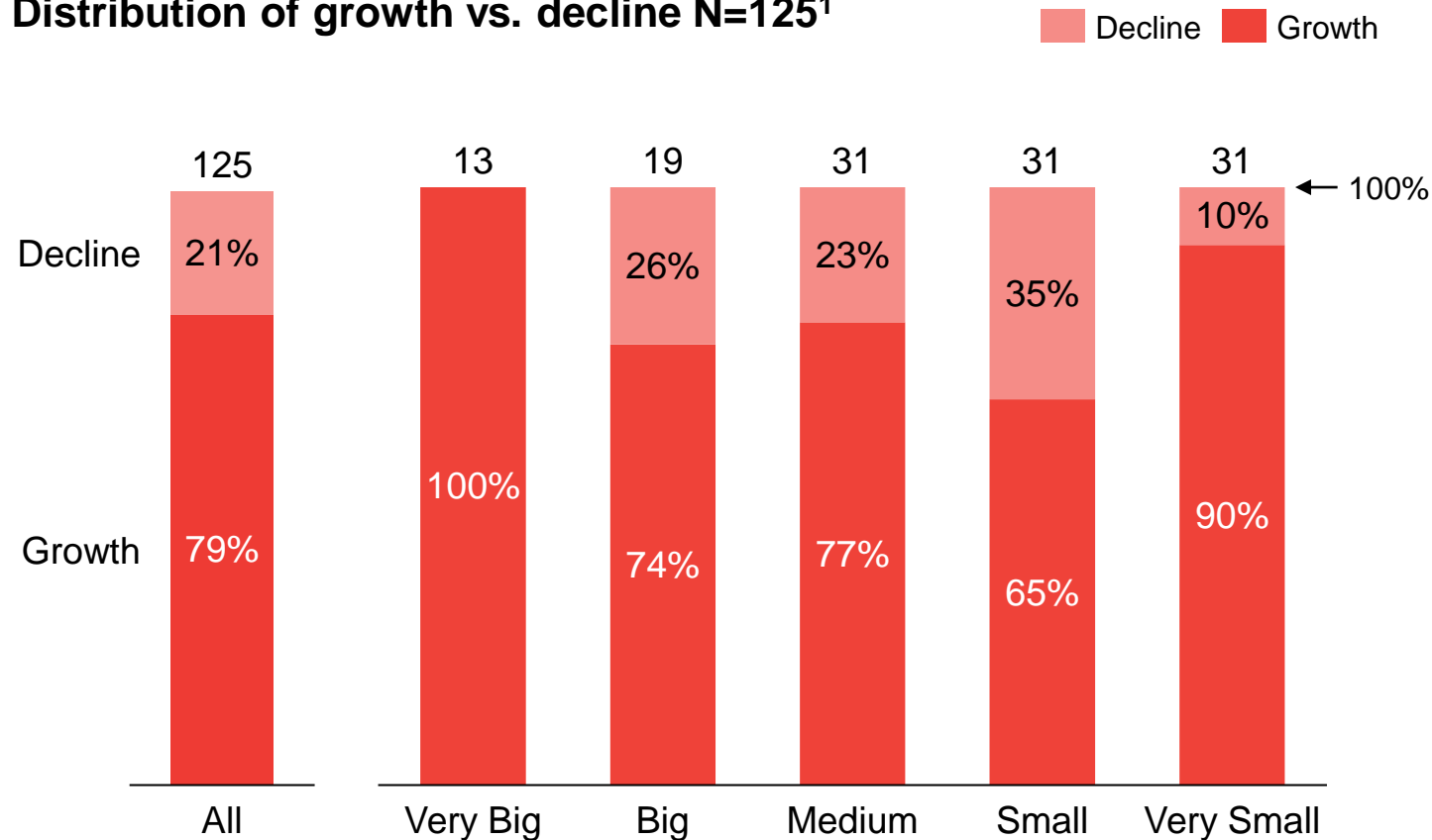


Key Takeaways

- Very Big and Big companies keep it that way; they rarely move down
- The challenge for most SH is to move up from Medium segment – it's a plateau of growth for most
- Even if your UV grows, you still may not move up the segments as the whole market goes up – advanced strategies are required
- It's unlikely the domain in Small or Very Small category will move to the Medium segment within a year; moving towards Big is almost not possible

In most cases, when companies reach above medium level, they're on the positive trajectory path

Distribution of growth vs. decline N=125¹



¹ 1 out of all 129 analyzed domains, the data for the comparison (2019/2020 vs 2020/2021) was available for 125

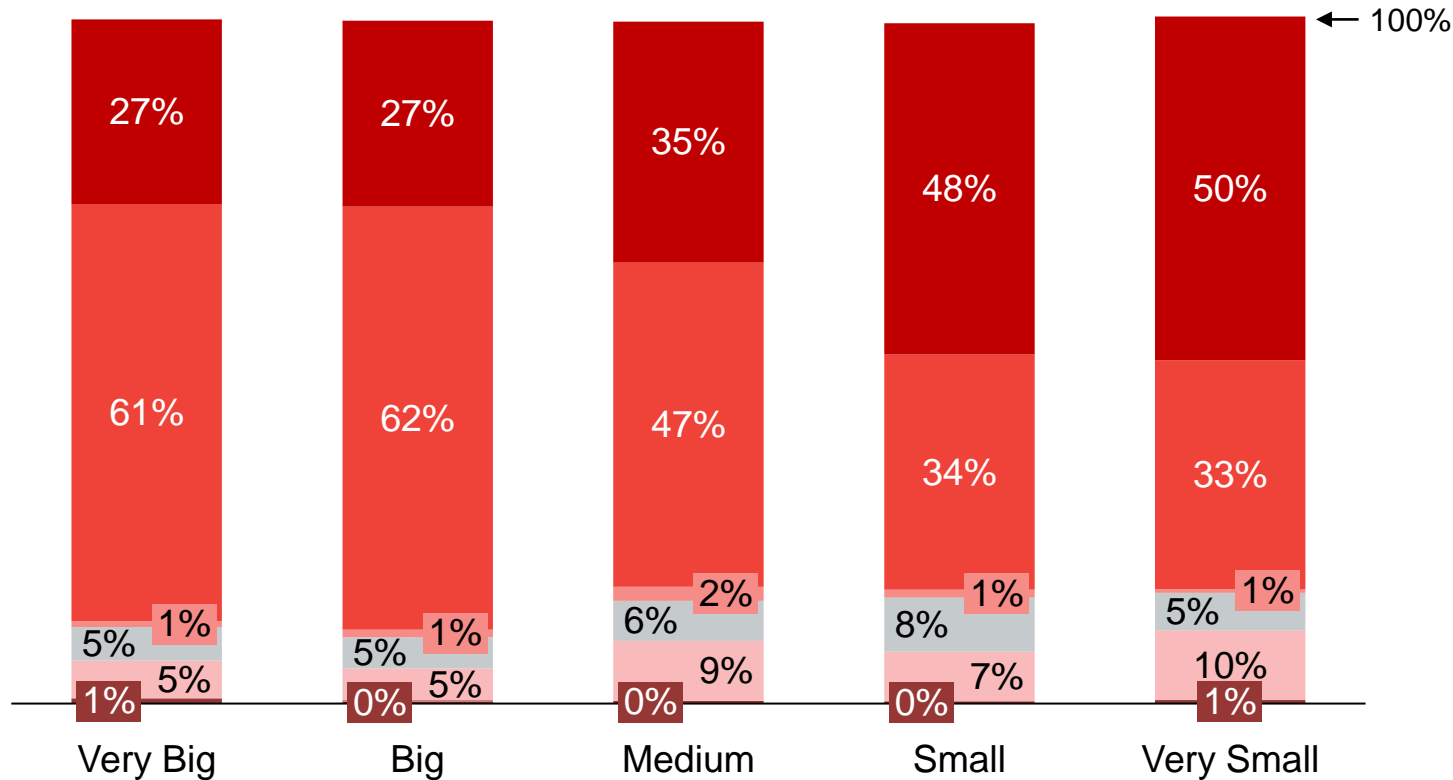
Key Takeaways

- 100% of Very Big segment members achieved YoY growth
- Getting a spot among top 25% companies (Big and Very Big segments) increases your chances of further UV growth
- It's easy to achieve any growth when you are Very Small – as even a relatively tiny change in absolute UV accounts for positive percentage jump

Top 25% of Polish SH companies receive most of the traffic from organic

Traffic mix of Polish SH domains N=129

Legend: Direct (Dark Red), Paid (Light Red), Referral (Pink), Email (Dark Brown), Organic (Red), Social (Grey), Display (Light Brown)

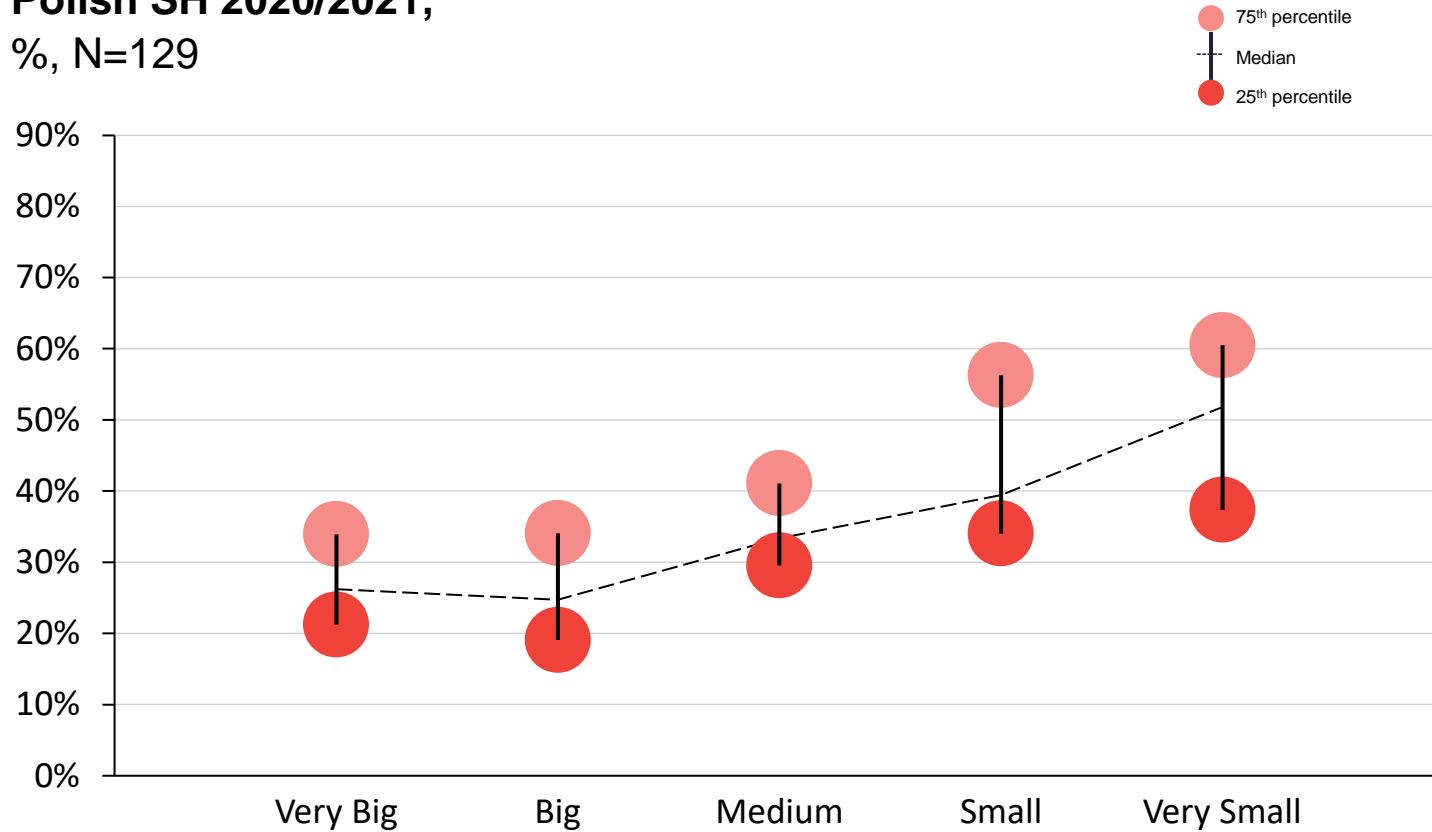


Key Takeaways

- Organic search is the main traffic source for Very Big and Big domains; this indicates that strong brands know how to use SEO for their advantage
- Direct search is strong for all segments, and it dominates the traffic mix of smaller domains; however, once the company starts to build their presence it's importance decreases
- In general, big companies use more SEO, while smaller ones push for social/referrals

Direct is an important traffic source for all segments, but it's importance decreases once the domain grows

Share of Direct channel across various segments in Polish SH 2020/2021, %, N=129

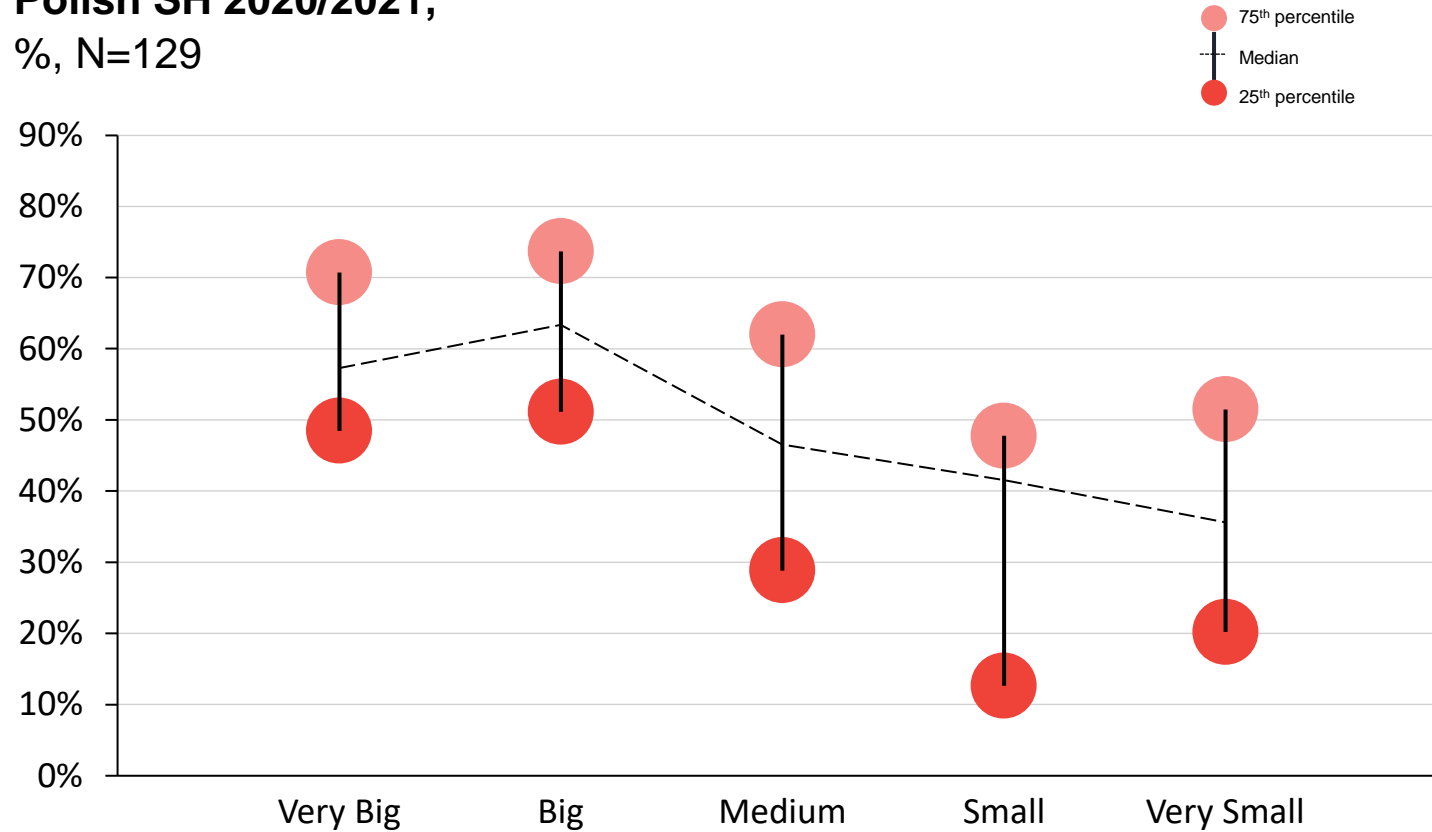


Key Takeaways

- Direct is a main source for Very Small companies, but decreases in lifecycle stage
- Once the company moves up the importance of Direct decreases
- Big and Very Big domains still get impressive share of traffic from Direct, however other sources start to dominate within these segments

Organic search is dominant traffic source for better performing domains

Share of organic search channel across various segments in Polish SH 2020/2021, %, N=129

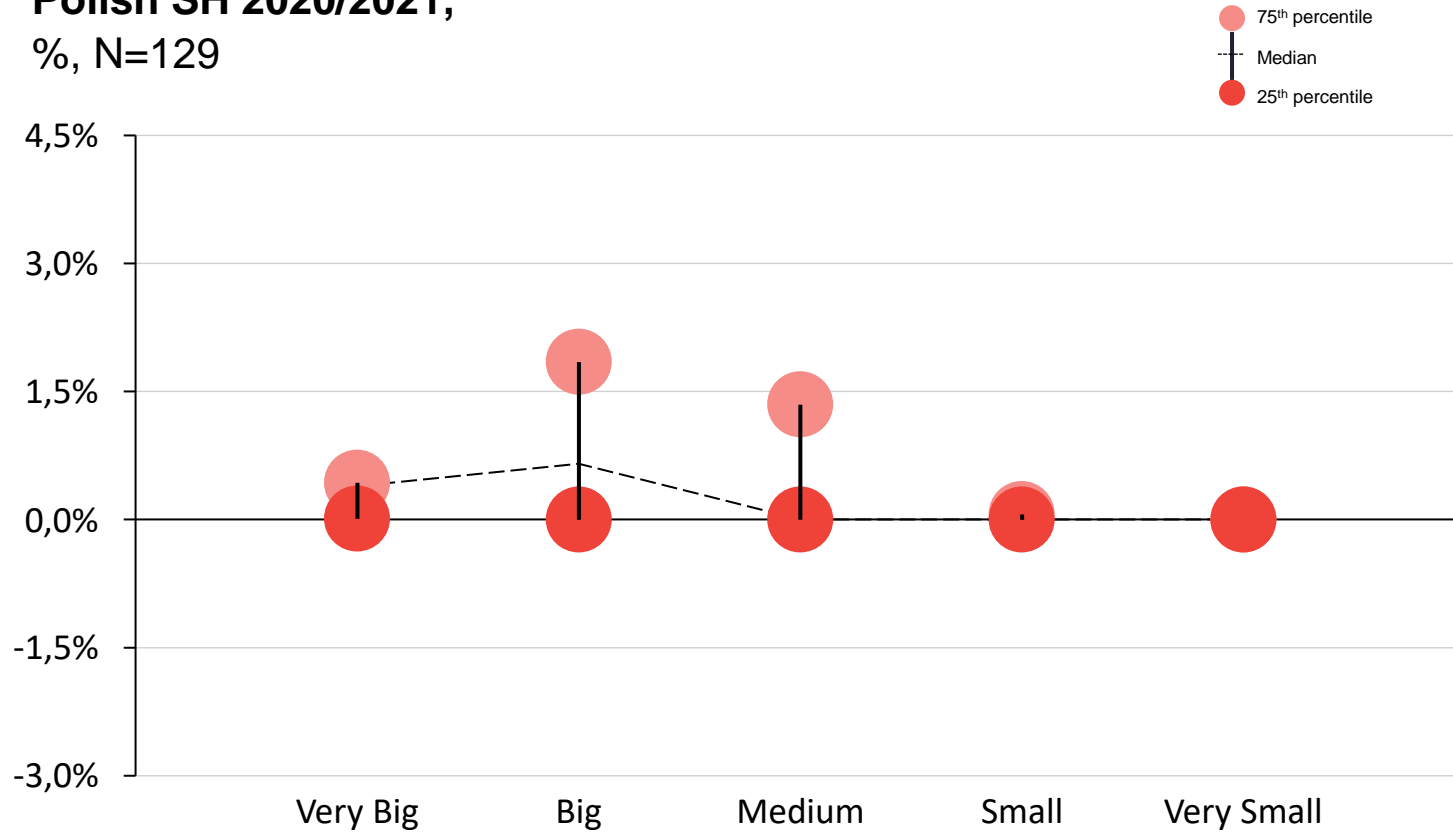


Key Takeaways

- The importance of SEO grows within time as the domain traffic increases
- Companies owning Big and Very Big Domains are the ones who get the search engine users' attention first
- All of the SH domain owners seem to be aware of the role that organic plays in SH market; the share of Organic is strong within all segments

Paid search channel is not the source of choice for most companies

Paid search channel across various segments in Polish SH 2020/2021,
%, N=129

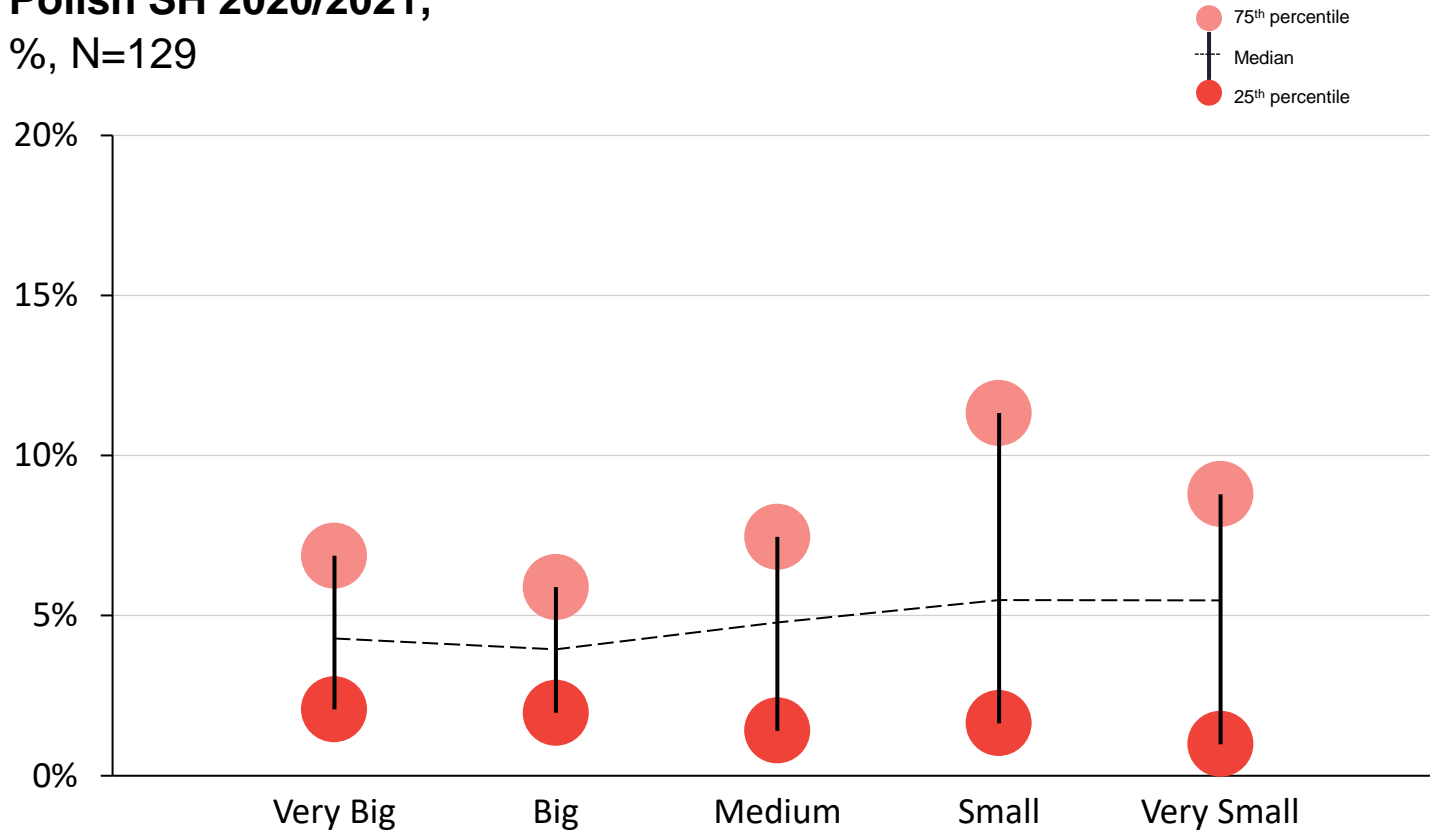


Key Takeaways

- For most of the analyzed domains, traffic coming from paid search channel was negligible
- Considering the total deal size and average sales ticket, PPC ads don't seem to be the best way to generate leads to the website
- However, targeted PPC campaigns might support content marketing efforts, e.g., reports or white papers

If you're small, Social is critical, but it's importance decreases with growth

Share of social channel across various segments in Polish SH 2020/2021, %, N=129

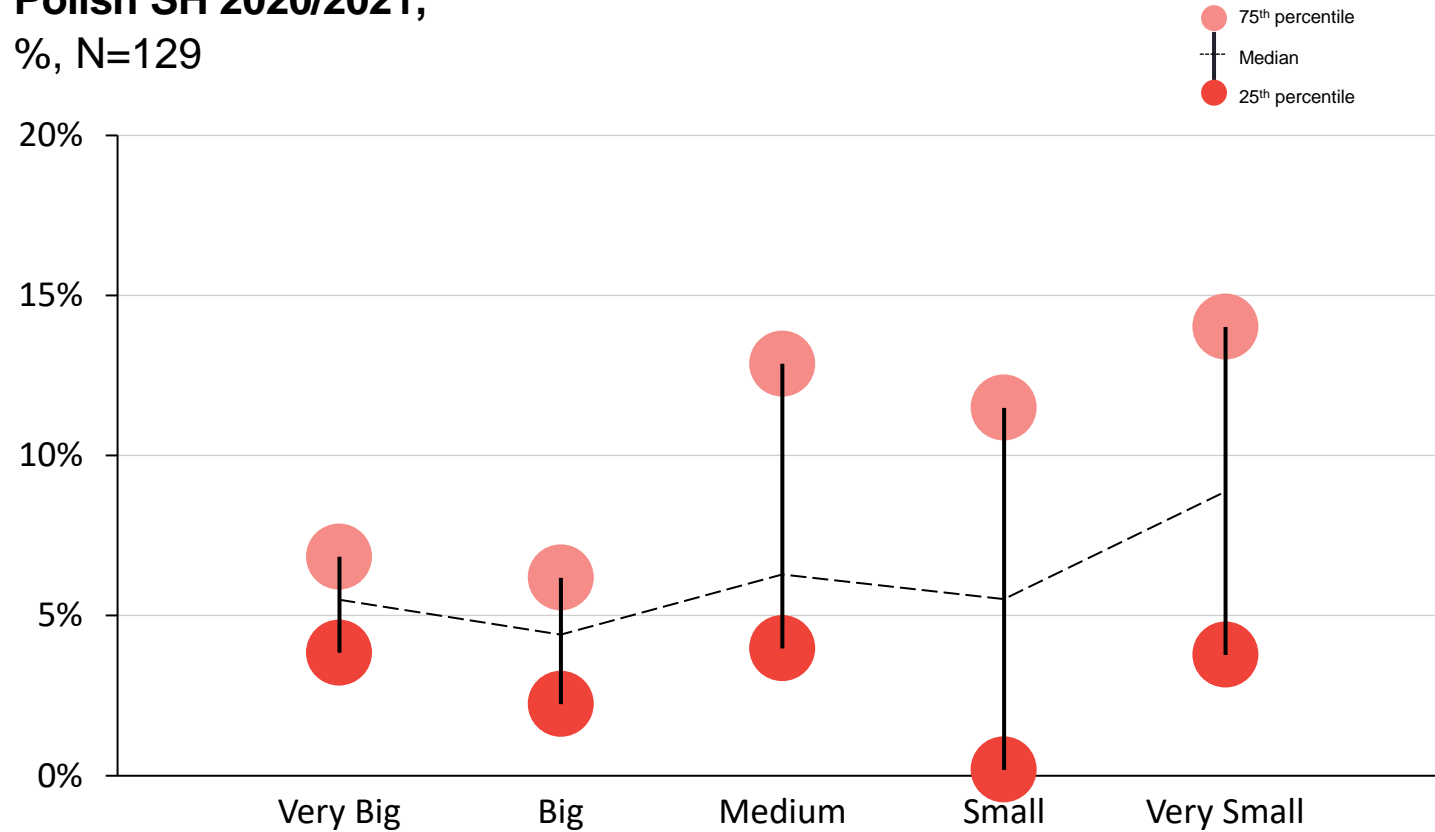


Key Takeaways

- Very Small and Small domains tend to get more traffic from social media
- Despite the fact that getting social media users' attention is getting more and more difficult, social is still one of the cheapest way of driving traffic to the website
- Social media channels tend to be the most democratic, hence they're so heavily leveraged by smaller peers

Referrals are more important for smaller peers, while bigger ones have already established base from other sources

Share of referral channel across various segments in Polish SH 2020/2021,
%, N=129

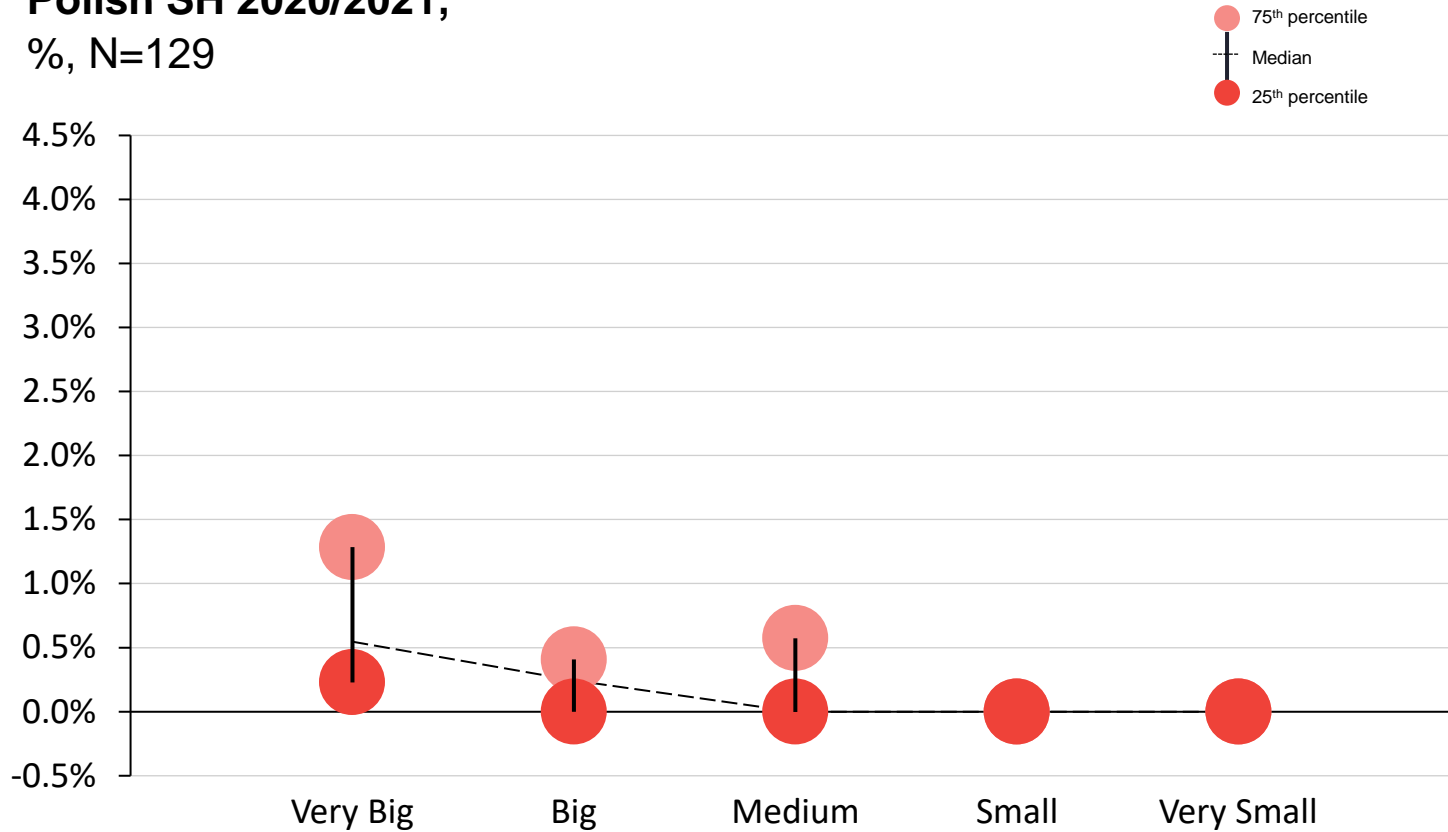


Key Takeaways

- Overall, very big/big companies rely less on referrals, e.g., Clutch reviews

Most SH companies don't prioritize email marketing; bigger peers have some presence, but it's limited

Share of email channel across various segments in Polish SH 2020/2021, %, N=129



Key Takeaways

- Most domains get below 1% of traffic from email channel
- For Small and Very Small domains, this number is close to 0. It's worth mentioning, that 1% in Very Big Segment is still a big absolute number
- Counterintuitively, it's a wise strategy to start building your email list as early as possible; this will ensure that your email list grows with your business generating some valuable traffic in the future
- Interesting enough, it is an opposite pattern vs. product companies, e.g., SaaS, which try to build e-mail base fast

Content of the report

4. Granularity of Traffic Growth – Multiplier Model

2. New model of marketing & sales in Polish Software Development



1. Intro



2. New model of marketing & sales in Polish Software Development



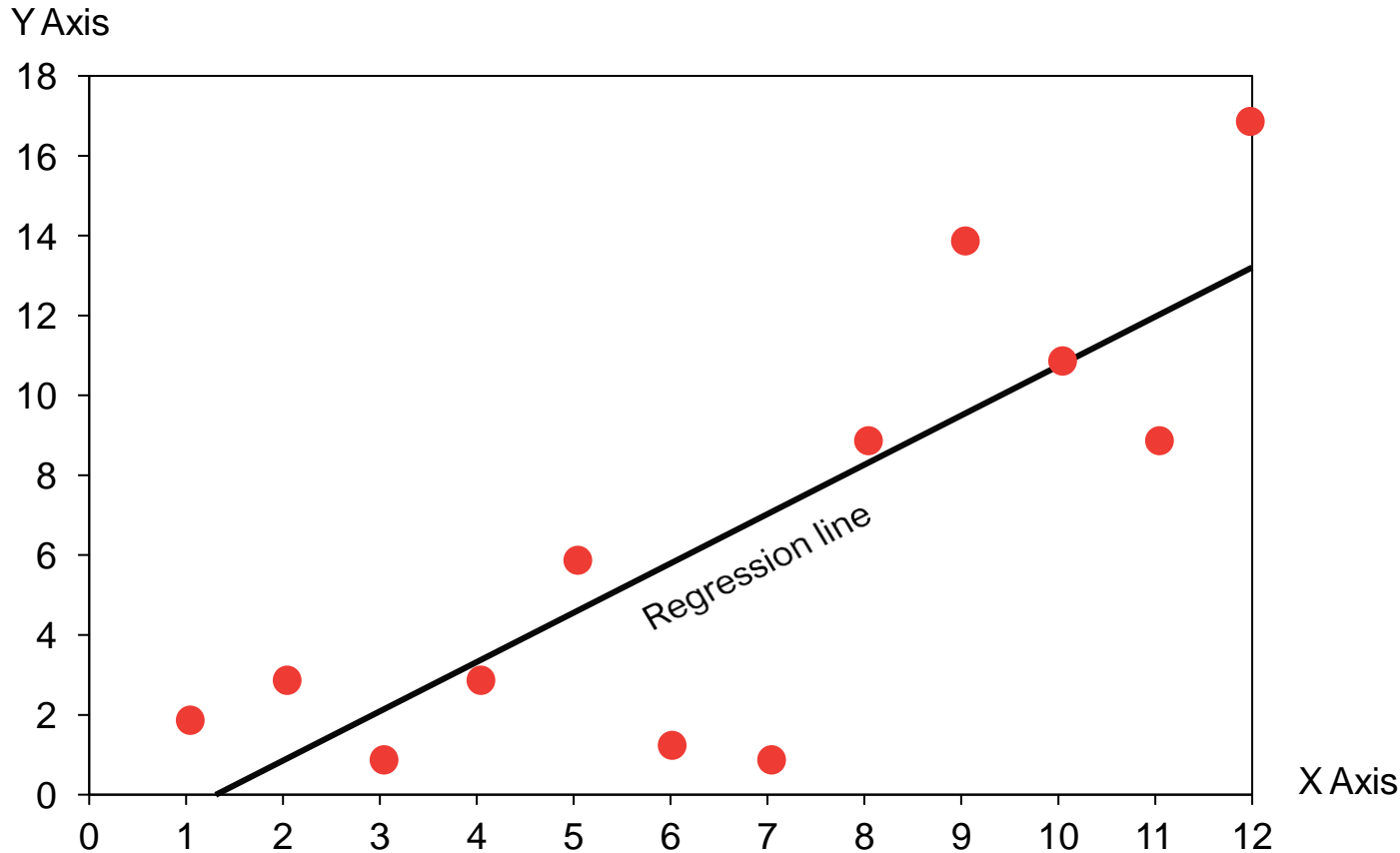
3. Website Traffic Size of Polish Software Development Companies



5. Recommendations and next steps

How our model works? About multiplier method

How regression works?



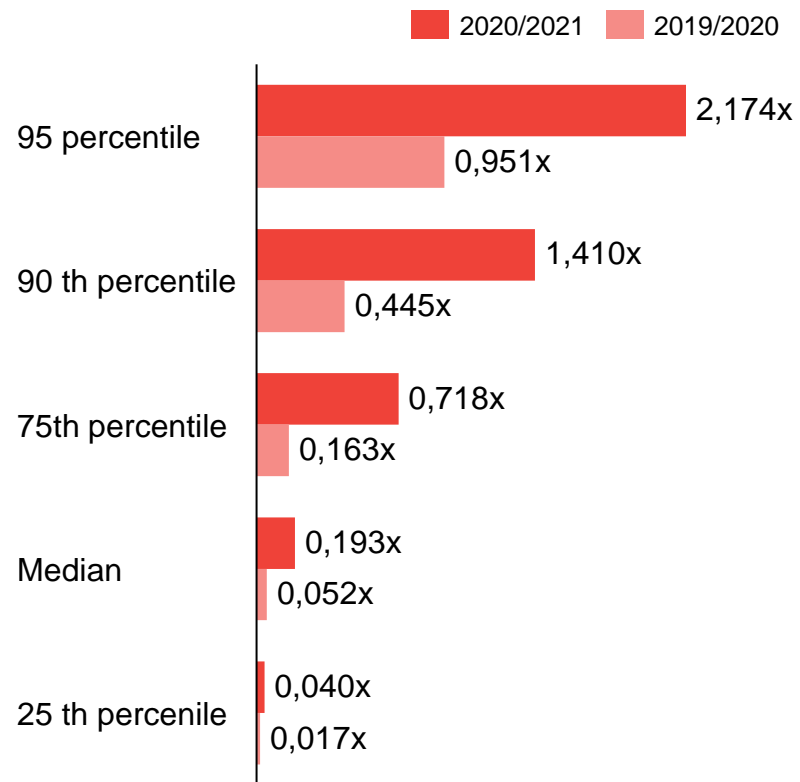
Method of our data analysis

- For each domain, we plotted a UV number for a given month (months being numbered 1, 2, 3, etc. respectively). Then we fit a regression line, and we used its slope as a Growth Multiplier (GM). E.g. if the growth multiplier equals 500, then you could expect a 500 growth in UV every month. Consequently after 3 months you could expect 1500 growth in UV.
- Based on Growth Multipliers, we identified growth categories for SH domains. It's important to note that every negative slope was assigned to „Decliner” category.

Segmentation of Polish SH market based on Growth Multiplier

Traffic Growth Multipliers Compound in 2019/2020 vs. 2020/2021

Thousand visits multiplier, N=129



Population of segments

Growth category	Limits (slope based)	2019/2020	2020/2021
Decliner	slope <0	46	29
Lagger	0 to 25th percentile	20	25
Slow grower	25th to 50th percentile	19	25
Grower	50th to 75th percentile	19	25
Strong grower	75th to 90th percentile	11	15
Top grower	90th to 95th percentile	4	5
Super grower	95th percentile up	3	5

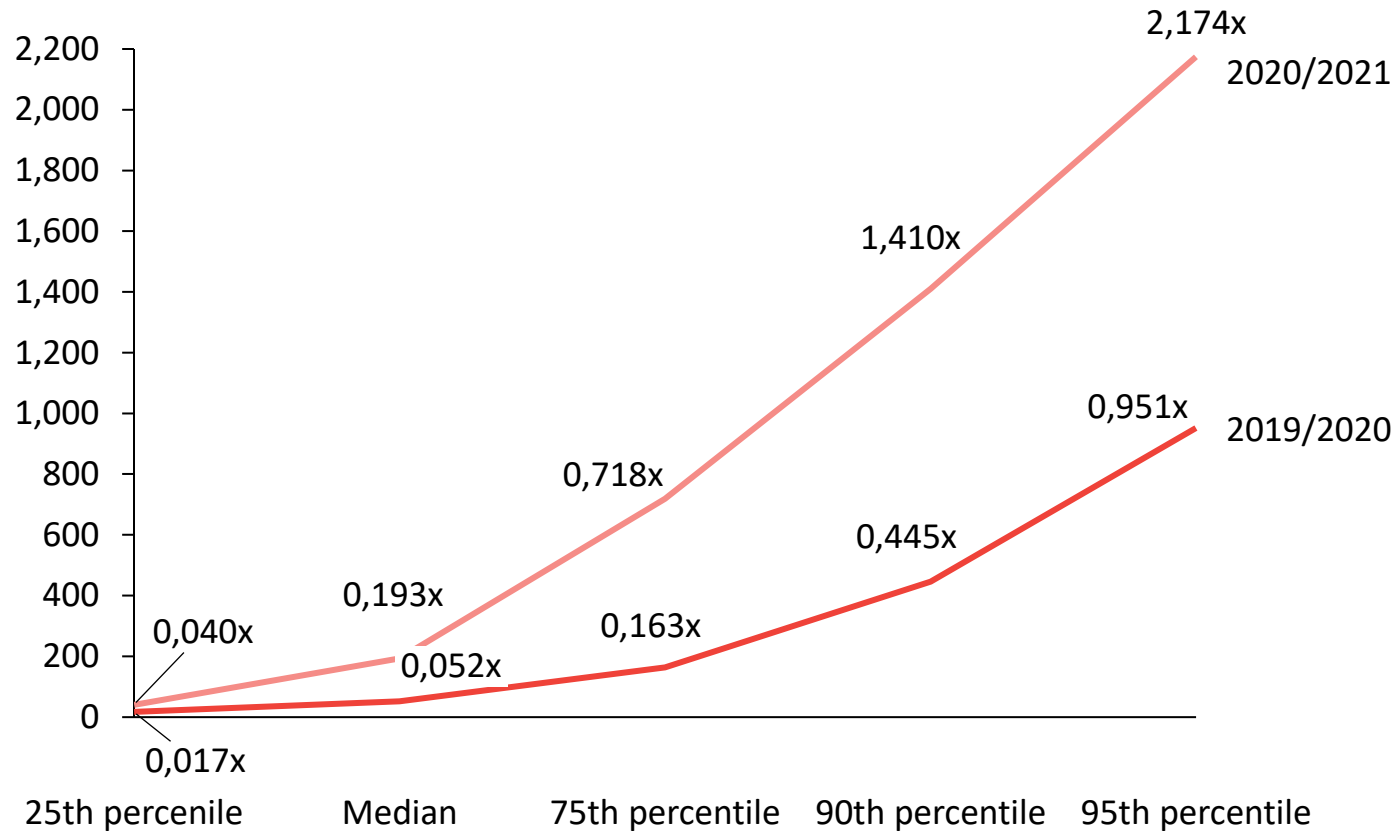
Key Takeaways

- Regression model shows how many more visits you can expect a month if you're in certain growth segment
- It's our own multiplier that allows us to measure the future trajectory of the domain
- In general, if you were in 95th percentile, you can expect over 2x uplift as the growth compounds
- You receive lower market premiums if you're in the bottom percentiles

According to our model, the top 5% Polish SH are expected a 2x growth premium vs. the previous year

Growth Multipliers (Market Premium) distribution, N=129

multiplier based on regression

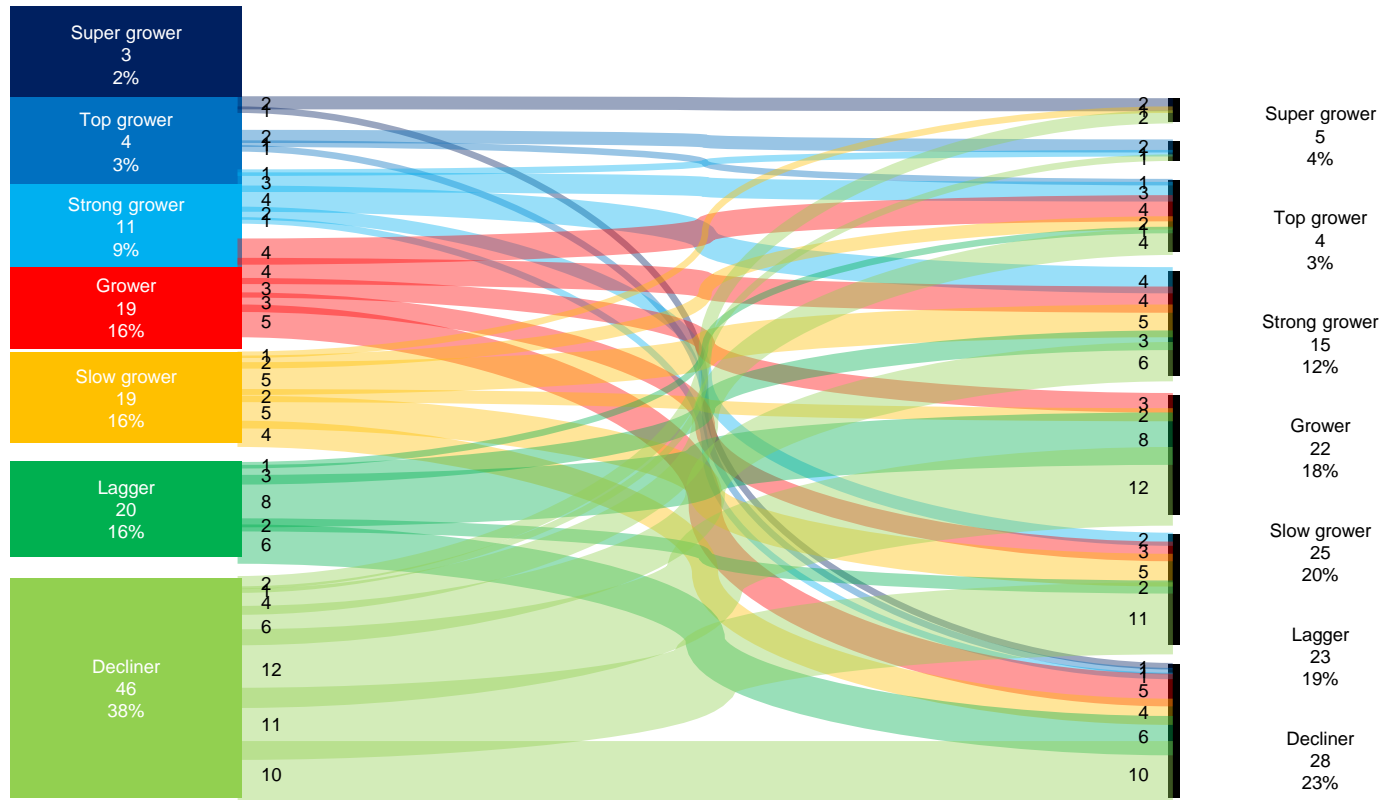


Key Takeaways

- Polish SH market got a pandemic boost in 2020/2021; the importance of digital could no longer be denied which is clear when you look at the divergence in multipliers for 2019/2020 and 2020/2021
- Companies, which managed to accumulate digital presence in the years before, achieved even stronger uplift
- Interestingly enough, the upper market between 75th and 90th percentile also inflated, receiving 3-5x bonuses

Roughly, one-third of Polish software companies jumped to higher category in 2020 compared to 2019

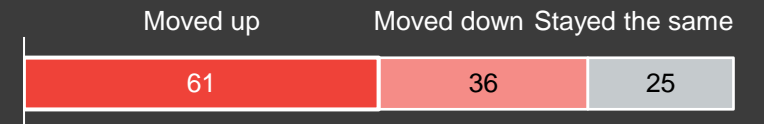
Growth Segment YOY changes of Polish SaaS companies, N=122, %



Key Takeaways

- Maintaining growth is not easy, esp. in the middle stage – half of grower companies decreased their traffic base within a year
- Interestingly, if you reach supergrower stage, there is a high probability of maintaining it within next year (look at previous page)
- Growth compounds year-to-year, proving triple-triple-double-double pattern is still a thing, esp. for small players
- The distribution of growth is somewhat equal, leaning towards decrease/stagnancy – around 1/3 for each of the segments

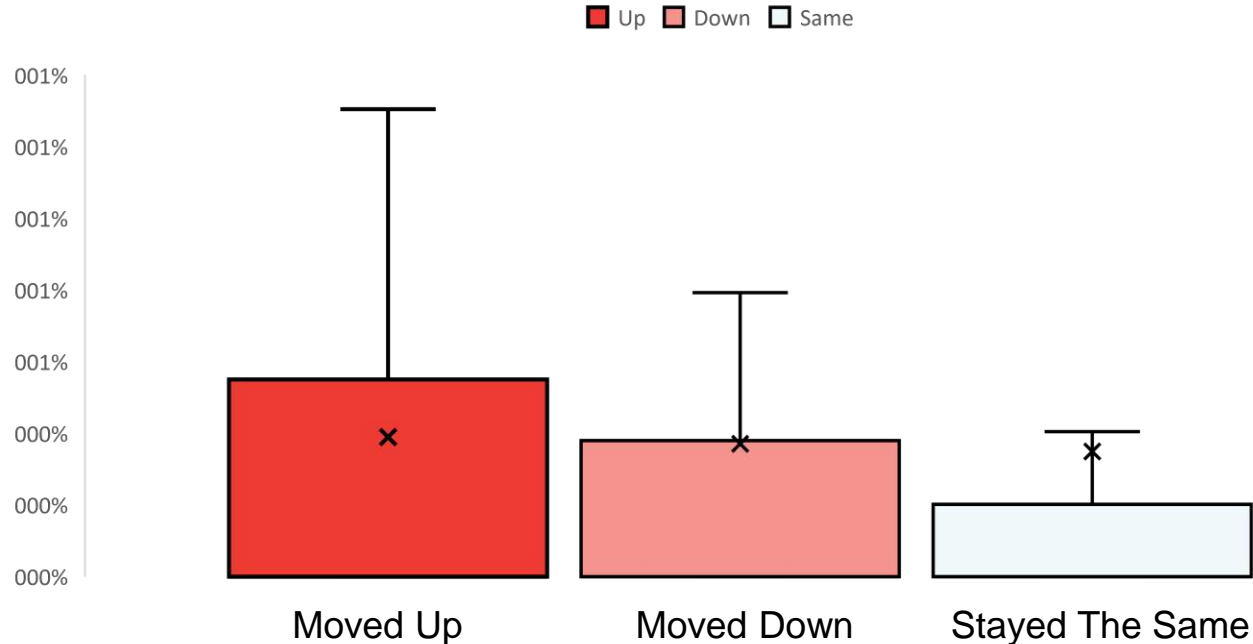
Distribution among population



Companies who moved up in the growth categories invested a bit more effort in email

Segmentation of growth categories by the YOY change of traffic share of sources, %, N=122

Email traffic share distribution



Key Takeaways

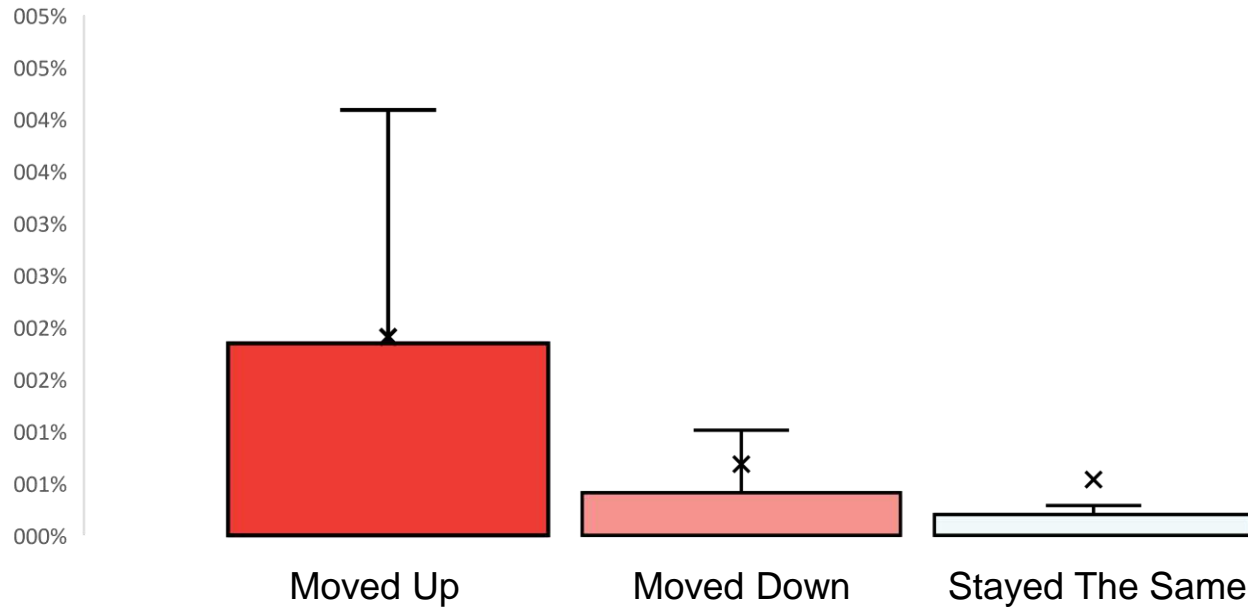
- It was relatively complex for the companies to move up in growth categories, as the whole market was swelling – those who did it had to really invest in new channels
- Most of the traffic sources got a similar share among those who moved up, down, or stayed the same
- One of the exceptions here is email, whose share tended to be higher among those who moved up – if done right, it allowed to create a necessary shift

Similarly, paid channels were also a good source for those who wanted to bring traffic fast

Segmentation of growth categories by the YOY change of traffic share of sources, %, N=122

Paid search share distribution

■ Up ■ Down □ Same



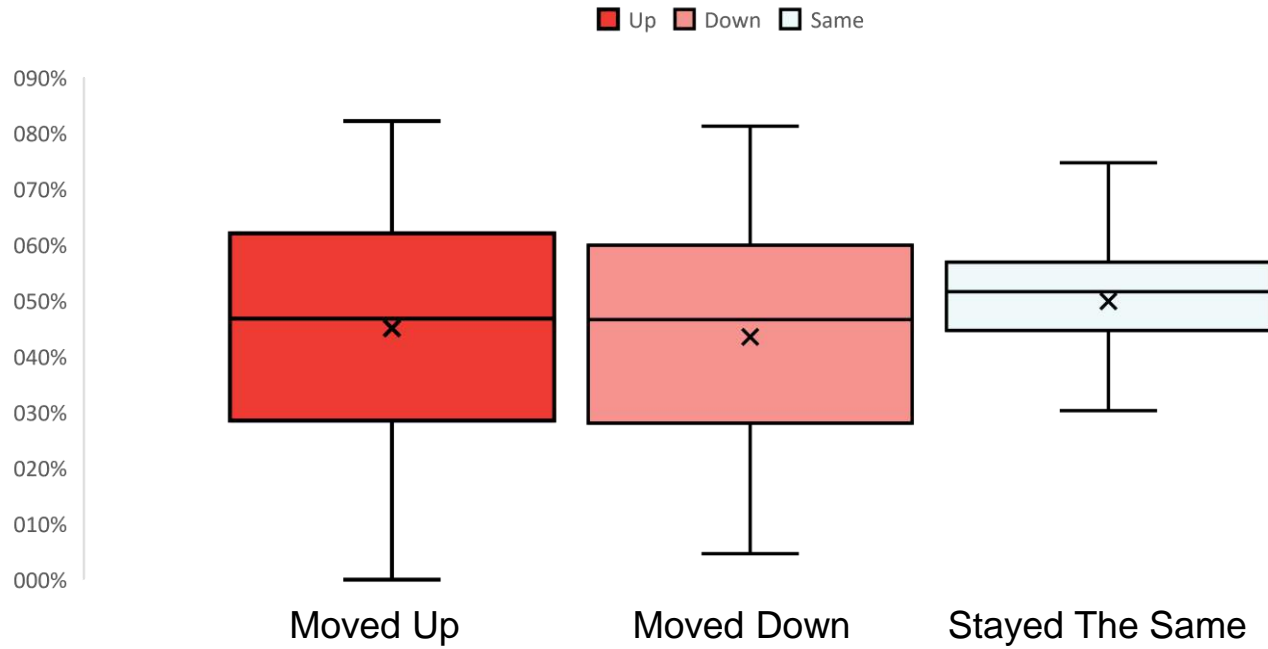
Key Takeaways

- Paid allows to bring visitors fast, but may not necessarily convert into long-term audience
- It is good for targeted campaigns, but can't be a traffic generation foundation

Organic is agnostic when it comes to size

Segmentation of growth categories by the YOY change of traffic share of sources, %, N=122

Organic search share distribution

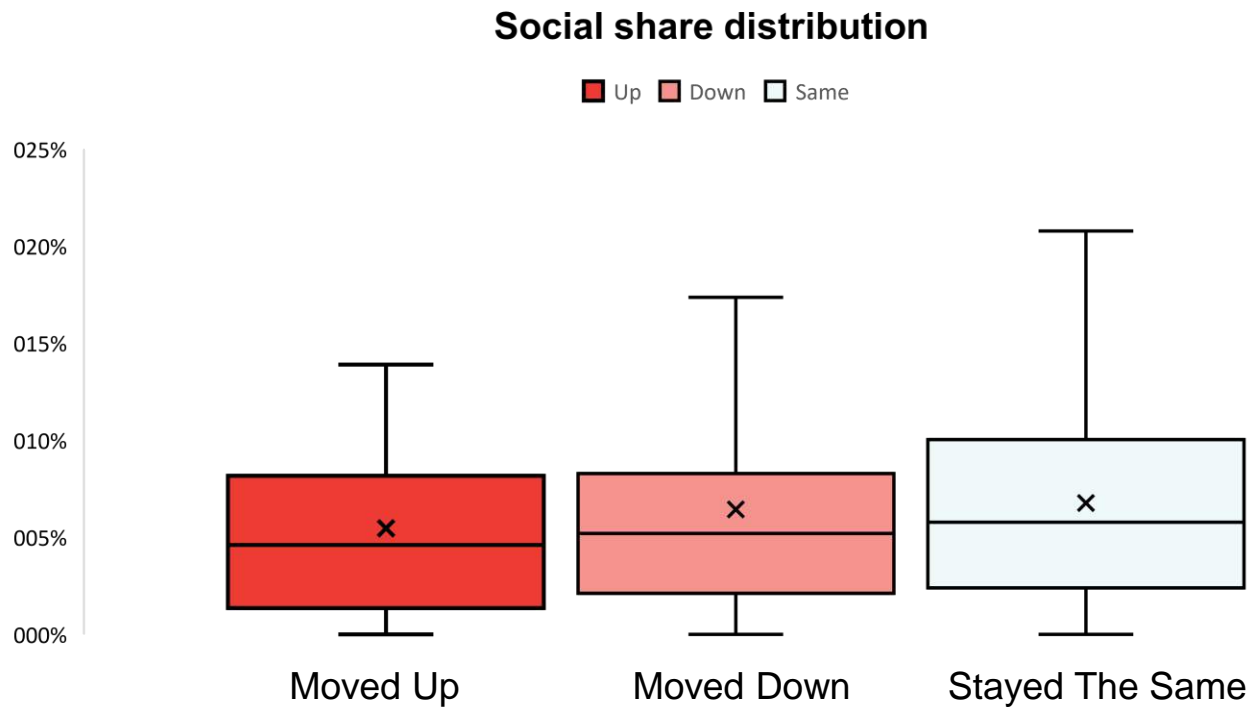


Key Takeaways

- Organic search should be pushed by every segment
- Small ones need to create content and optimize websites to build a snowball effect,
- Big peers need to reinvent their content machine to ensure stable visitors inflow

Social presence decreases slightly in time, but it's importance is almost equal across segments

Segmentation of growth categories by the YOY change of traffic share of sources, %, N=122



Key Takeaways

- As mentioned, paid is the most democratic channel among all – it allows small players to leverage audience, which normally couldn't be achieved
- While it's not possible to build an entire strategy purely on Social, it's just the right source to make a start
- Big players don't rely on the Social portfolio that much as they have other sources

Content of the report

5. Recommendations and next steps

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1. Intro



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4. Granularity of Traffic Growth – Multiplier Model

We see that companies should focus on securing the traditional baseline, and only then move towards bolder brand strategies

Strategic Recommendations for various stages

