A NEW PARADIGM:

Redefining Services for SaaS Growth

Why traditional service models no longer work for SaaS growth – outdated approaches limit scalability and revenue potential.

How ensourcing transforms services into a growth engine – reducing churn, increasing ARR, and driving profitability without adding headcount.

A new playbook for SaaS success – a proven model for delivering scalable, high-impact services.

INTRODUCING THE ENSOURCING MODEL for Maximizing ARR and Retention

IN THIS PAPER, WE'LL EXPLAIN:

- How the cloud turned the software industry on its head, redefining sales models and customer demands, while somehow leaving services delivery models stagnant.
- Why traditional services models no longer align with the economics of SaaS vendors, offering the pros and cons of each approach.

Then we'll introduce a new, fundamentally different model **– Ensourcing –** that's changing the way leading SaaS vendors are delivering high quality services with efficiency and scale.

IN ENTERPRISE SAAS, SPEED, EXECUTION, AND CUSTOMER OUTCOMES DEFINE GROWTH. It's no secret that professional services (PS) are the key to satisfying growing customer expectations which drive adoption, retention, and renewals. But building a scalable PS practice means diluting your ARR multiple, raising investor concerns.

You can have the best products in the market, but customers risk failure without the right services to support them. Customers struggle to fully leverage enterprise-grade cloud technology, leading to churn, lost revenue, and frustrated teams. SaaS leaders are left in an impossible position.

So, what's the next move? Keep playing defense—or rethink services as a growth accelerator?

THE CLOUD CHANGED EVERYTHING—Except Services

When the software industry moved to the cloud in the early 2000s, it had a ripple effect. Software sales shifted from perpetual licensing models (with revenue recognized upfront) to a subscription-based software-as-a-service (SaaS) model.

This fundamental shift pushed vendors to focus on meeting three lofty goals: **rapid growth**, **minimal churn**, and **continuous value delivery**. Achieving any of these goals is difficult. Executing against all three simultaneously can be, quite frankly, overwhelming.

Many SaaS offerings require complex implementations, deep integrations, and ongoing optimization to unlock their full potential. Even the best product-market fit cannot guarantee success without the right services to support adoption and maximize customer outcomes.

The Rising Importance of SERVICES

SaaS products offer flexibility and scalability, but many are complex to implement, customize, and integrate. Customers may struggle with deployment, best practices, and long-term optimization. If not addressed, these issues can lead to dissatisfaction and churn. Meanwhile, switching costs are low and customers demand near-instant value.

In this new era, professional services can make or break your software business. Services have the potential to accelerate time to value for customers, boost product utilization, and build stronger customer relationships. But many SaaS companies under-invest in this area or struggle to scale services effectively without eroding margins.

WHY?

Services are viewed as a cost center rather than a revenue enabler.
And for good reason.

Why do SaaS companies need RAPID GROWTH, MINIMAL CHURN, and a LASER FOCUS on value delivery?

1. **RECURRING REVENUE MODEL –** Unlike perpetual license models, SaaS companies rely on annual recurring revenue (ARR) as their primary metric. New customer acquisition and expansion within existing accounts are critical to sustaining predictable revenue streams and securing long-term profitability.

2. **CUSTOMER RETENTION AND LIFETIME VALUE (LTV) –** Customer acquisition costs, or CAC, are high. It's much less expensive to keep customers than it is to find new ones; a lost customer not only impacts ARR but also lengthens the time to recover acquisition costs and reach profitability.

3. **COMPETITIVE DIFFERENTIATION AND MARKET PRESSURE –** In competitive SaaS landscapes, switching costs for customers are often low. This puts pressure on vendors to consistently deliver value, keeping customers engaged and loyal.

4. **INVESTOR EXPECTATIONS AND VALUATION MULTIPLES –** Investors place a premium on SaaS companies with high revenue growth and strong retention metrics. Companies that optimize their services to drive ARR growth and minimize churn are rewarded with higher enterprise valuations, while those with declining retention rates face valuation pressure.

Internal Services are COSTLY, COMPLEX, AND DILUTIVE

Operating professional services inside a SaaS organization is not easy.
There are several characteristics of the PS function that keep executives up at night:

HIGH OPERATING COSTS: It's expensive and time-consuming to recruit, train, and retain top-tier talent so they can become customer-facing product experts, versed in solving complex and highly custom implementations across diverse customer environments.

LOW MARGINS: Services revenue often carries lower gross margins compared to SaaS product revenue.

SCALABILITY ISSUES: Because of the reliance on humans to work with every customer, it's hard to scale services without increasing costs linearly.

DILUTION: In the world of product-led growth (PLG) and inflated valuations, the pressure is on SaaS companies to offer self-serve products. If the services portion of revenue is too high or there's a perception that the product is too complex, valuations are penalized.

Delivery of professional services—once a secondary concern—has simultaneously become a top opportunity and challenge of growth in modern SaaS. Products are getting more complex. Customers demand faster implementation. Expectations for immediate value are higher than ever. And yet, most SaaS companies are still running services with the same outdated playbooks.

3 COMMON APPROACHES to Services Delivery

To deliver quality professional services within these constraints, organizations usually take one of three paths:

- **Offer premium services to select customers**
- **Depend on global systems integrators**
- **Rely on value-added reseller and channel partner ecosystems**

Let's unpack each option along with its advantages and limitations.

OPTION 1: Premium Services for Select Customers

In this model, SaaS companies build out a smaller-scale services arm – with high bill rates and margins – that's primarily focused on supporting your largest accounts. This subset of strategic customers get white-glove service, while the rest of the customer base relies on GSIs, channel partners, or worse: self-service and customer support, to work through challenges.

The main benefits with this approach are obvious:

✓ The strategic customers that are allocated services benefit from deep technical and business alignment.

✓ They are likely to renew and expand.

But the same cannot be said for mid-market and SMB customers, which has negative implications:

X Smaller clients may not get the services they need and are at much higher risk to churn.

X This model can create an uneven customer experience, with limited scalability.

And where do the other 95% of your customers turn?

OPTION 2: Depend on Global Systems Integrators (GSIs)

Larger SaaS companies often turn to GSIs such as Accenture, Deloitte, or Capgemini to outsource the delivery of professional services at scale. These firms bring the promise of deep industry expertise and execution power, but also introduce cost, complexity, and lengthy processes.

The pros of working with GSIs:

- ✓ They offer instant access to an extensive, global network of skilled professionals, without dealing with the burden of having to staff and train an internal services team.
- ✓ They typically follow well-established methodologies and have experience managing large-scale deployments.

But there are downsides with this path as well:

- X While arguably faster and less costly than building out your own services organization, partnering with GSIs is still **expensive**. Their costs can be prohibitive for smaller software companies.
- X GSIs often **bait-and-switch** premium resources for inexperienced consultants. They have few highly experienced professionals at the top, who they bring in at the start of a project to build trust and set strategy. Once the engagement is underway, those experts are pulled off to other projects and replaced by less-experienced resources; Customers end up paying premium bill rates to fund on-the-job training for newly minted college grads with little or no real enterprise IT experience. This delays progress, forces customers to onboard new consultants midstream, and results in lost institutional knowledge. Enterprise value walks out the door with the consultant.
- X GSIs' sheer size limits their ability to be nimble. Their **execution is usually much slower** than what a smaller company can provide.
- X Meanwhile, you **sacrifice control over the customer experience**. GSIs support many different technologies and may not deliver services with the same implementation quality or level of domain expertise that your in-house staff could provide. Or worse, they may hijack the customer relationship: Common concerns with utilizing GSIs include misalignment of SaaS product roadmaps, prioritization of their own services revenue over your SaaS growth objectives, and other conflicts of interest.

OPTION 3: Reliance on Partner Ecosystems

Another strategy is to build a network of smaller partners, such as boutique consultancies and value-added resellers (VARs), to handle services delivery or to supplement a small in-house team. Like with the GSI model, channel partners provide a path to services delivery that alleviates some of the time, cost, and resources associated with building out an internal team.

The main benefit of this approach:

✓ These partners tend to focus on specific regions and/or industries, so the quality of their output may be higher and more flexible to accommodate their market niche than what you'll get from a GSI.

But there are several drawbacks:

- X Most of these partners don't have a robust services **capacity to meet demand**.
- X Different partners have different strengths, so relying on these partner ecosystems leads to **inconsistent service quality** and delivery. This also means you have to constantly train and manage multiple partners instead of just one, as you would with a GSI.
- X You'll need to invest in **extensive partner enablement and ongoing management** to normalize their output as much as possible. The process gets complicated, and can ultimately dilute your brand as you sacrifice control of customer relationships.
- X And revenue-sharing agreements that are orchestrated with channel partners reduce services profitability.

Each of the models above has drawbacks. They either limit scalability, reduce customer satisfaction, or fail to optimize financial returns. The SaaS industry needs a new approach—one that balances cost efficiency, scalability, and quality service delivery.

Introducing a Better Way: ENSOURCING

It's time for a paradigm shift—one that elevates services as a core pillar of SaaS success without adding operating expenses (opex), headcount, or diluting enterprise value. **Ensourcing** is a transformational approach that's disrupting traditional approaches to professional services delivery, blending the best aspects of insourcing and outsourcing. Ensourcing embeds external expertise directly into your organization, allowing you to scale services without adding fixed headcount or eroding margins.

This model shifts services from a cost center into a strategic asset that accelerates revenue growth and enhances customer retention. The benefits of ensourcing are evident through three force multipliers, which have compounding effects on market cap:

1. **ACCELERATED ANNUAL RECURRING REVENUE (ARR):** By embedding skilled resources throughout the customer journey, ensourcing expedites product adoption. This leads to higher product usage and faster customer realization of ROI.
2. **INCREASED SERVICE MARGINS:** Unlike traditional services models, ensourcing allows SaaS companies to maintain 30-50% gross margins on service offerings, rather than the typical 10-20% associated with low-margin, internal professional services. (More on this later.)
3. **SCALABLE, COST-EFFICIENT GROWTH WITHOUT THE HEADCOUNT:** Ensourcing provides flexible, on-demand access to expert service professionals. This allows SaaS vendors to rapidly scale services up and down, in response to customer demand, while reducing fixed costs and improving operational agility. As a result, the path to profitability is much shorter.
4. **REDUCED CHURN AND IMPROVED RETENTION:** A consistent, high-quality service experience enhances customer satisfaction and stickiness, leading to long-term loyalty. Over time, a happy customer base strengthens your competitive moat while also incentivizing a thriving partner ecosystem.

Sound too good to be true? Let's explain how it works.

Traditional services models force SaaS leaders into a lose-lose scenario—either take on the risk of scaling internal headcount or hand over execution to third parties who don't fully align with your product, roadmap, or customers. Ensourcing eliminates that trade-off. You stay in control of service quality, customer experience, and retention—without operational drag or competing with your channel partners.

Now, services become a net driver of ARR growth and retention, with accretive service margins—without adding headcount or increasing services opex. It's a win-win-win for you, your channel partners, and most importantly, your customers.

How **ENSOURCING** Works

Ensourcing is built on a simple but powerful concept:

You (and your channel partners) sell services, and your ensourcing provider delivers them under your brand, on demand.

End customers experience white-glove service, fully aligned with your brand. Behind the scenes, your ensourcing provider is the one executing. They are able to do so flawlessly because you, the SaaS vendor, work in lockstep with your ensourcing provider from the beginning to hire the right talent with the right skills and background. Your ensourcing provider does the hiring, but you enroll the services staff in your existing internal training and certification programs as if they're your own employees.

As Entelligence Founder Stephen Satterwhite explains, *"Our services staff uses your playbook, your methodology, your training, your reference architecture. They wear your jersey, but they get a paycheck from us. This keeps you in control of customer outcomes, ARR growth, and retention—while eliminating the operational drag of traditional services and eliminating channel conflict."*

This model eliminates operational complexity while ensuring quality and alignment with your SaaS strategy. Instead of scaling expensive headcount or relying on slow, costly, and misaligned partners, ensourcing gives SaaS companies a faster, smarter way to deliver deployment and optimization services as fractional, on-demand SKUs—without the cost, complexity, or operational burden. Finally, SaaS companies have a path to seamless, scalable services delivery without disrupting your core business or driving up services costs or headcount.

Key Components of ENSOURCING:

SCALABLE AND AFFORDABLE SERVICES

- Fractional, experienced resources, available on demand
- Services are flexible and cost-effective, without requiring full-time hires

SIMPLIFIED OPERATIONS

- Reduced complexity of managing internal teams
- Ability to scale services without increasing operational overhead

WHITE-LABEL EXPERTISE

- Seamless, consistent operations, delivered under your brand
- Alignment with internal processes and methodologies prevents customer confusion

ACCELERATED GROWTH

- Faster product adoption and customer retention boosts recurring revenue
- Enhanced operational efficiencies improve customer loyalty and market cap

MAXIMUM VALUE, MINIMAL COMPLEXITY

- Streamlined, high-impact services balance scalability, efficiency, and profitability

3 STAGES of Maturity

The theme throughout every stage of ensourcing is that services are white-labeled: Your ensourcing provider provides skilled human resources that fully represent your brand, product, and methodology when delivering services to your customer. As you advance along the maturity curve, your headcount and opex steadily decrease while product adoption, customer retention, and gross margins grow.

PHASE 1: Ensourcing People

Staff augmentation offers a point solution

With staff augmentation, SaaS companies sell services under their brand while relying on an ensourcing provider to deliver pre-vetted, trained, and skilled professionals who operate as an extension of your team—without the overhead. Many SaaS companies already use a form of ensourcing without realizing it. If you've ever supplemented your internal services team with contract resources from a staffing agency, you're already in Phase 1—just in an inefficient way.

Traditional staff augmentation models help cover overflow demand and growth surges, but they come with challenges:

- **INCONSISTENT QUALITY AND TRAINING—** contractors often lack deep knowledge of your methodology
- **LIMITED SCALABILITY—** resources must be constantly sourced and onboarded
- **HIGHER OPERATIONAL BURDEN—** SaaS companies still own project oversight and execution

This is the first step in transforming professional services from an operational burden into a scalable revenue driver. In this phase of ensourcing, the SaaS company typically earns 30% gross margins.

PHASE 2: Ensourcing Programs

A programmatic approach supports product spikes

The program-based ensourcing model typically comes into play when customer demand is surging for a high-growth SaaS product. Scaling services to support this growth is a constant struggle. Traditional models fail because they either over- or under-commit resources. If full-time resources are over-committed, it creates long-term cost burdens to accommodate short-term needs. If the SaaS vendor under-invests in services, adoption is slow while customers are frustrated and may churn.

In Phase 2, your approach to ensourcing goes beyond supplying people. Instead, your ensourcing provider is accountable for establishing a programmatic, repeatable framework to PS that's tied to customer deployment and adoption outcomes.

Ensourcing programs include:

- **End-to-end ownership** of services delivery, execution, and staff
- **Deployment and best practice playbooks** to standardize processes, optimizing for rapid time-to-value
- **Scalability of services** without the SaaS vendor absorbing headcount or fixed costs

Ensourcing programs drive faster customer deployments, deeper adoption and retention, and higher services margins. Ensourcing programs yield 50% gross margin, far exceeding traditional models.

PHASE 3: Ensourcing Platform

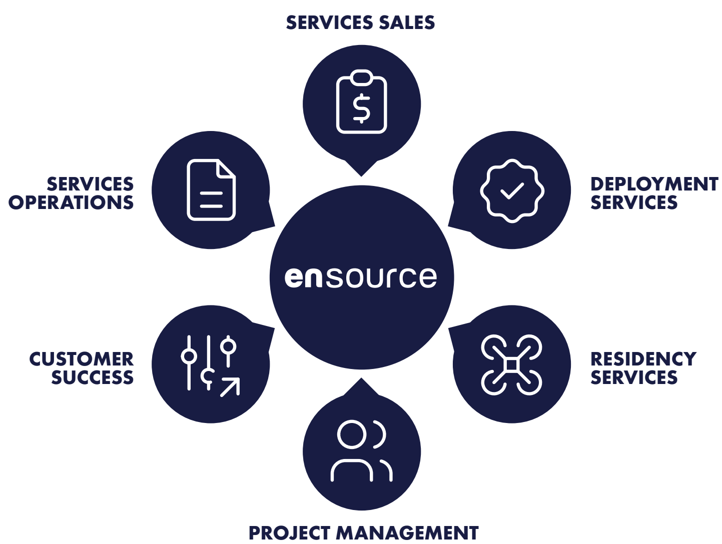
A fully managed services engine unlocks long-term growth—with zero opex

For SaaS leaders who have successfully applied ensourcing to people and programs, the next step is clear. An ensourcing platform extends ownership of services offerings across the entire customer journey:

- **SERVICES SALES—** attaching to go-to-market motions and presales initiatives
- **PROJECT MANAGEMENT—** delivering seamless execution and accountability across diverse projects
- **DEPLOYMENT AND ADOPTION SERVICES—** driving fast, consistent time-to-value in implementations
- **CUSTOMER SUCCESS AND RETENTION—** applying structured engagements to maximize ARR

Rather than managing a patchwork of in-house teams, GSIs, or external partners, an ensourcing platform becomes your fully integrated, white-label services engine. You as the SaaS vendor still own the customer experience, support full-service offerings, and scale PS up or down on the fly—without any of the opex or headcount. An ensourcing platform is the ultimate growth lever for SaaS companies looking to make services an effortless, scalable extension of their business, while recognizing up to 100% net revenue on the services they offer.

The ENSOURCING Platform



CASE STUDY: Reducing Customer Churn

BACKGROUND: A leading SaaS company with a high-growth enterprise customer base was struggling with a 13% churn rate. Despite strong sales, inconsistent service delivery led to customer dissatisfaction and revenue leakage.

CHALLENGES:

- Internal services margins were only **20%**.
- Heavy reliance on GSIs resulted in **slow onboarding times**.
- Lack of scalable mid-market solutions **hindered growth**.

THE ENSOURCING SOLUTION:

- Deployed **white-label service specialists** from Entelligence.
- Implemented a scalable **adoption and optimization program**.
- Improved service margins to **30-50%** while enhancing customer success outcomes.

RESULTS:

- Churn reduced from **13% to 7%**.
- Services revenue increased by **40%** with improved margins.
- Customer **NPS scores rose** significantly, reinforcing competitive advantage.

"Services executives, this is your moment! The industry is evolving, and the cloud has flipped the traditional services model on its head. It's a new day. Your customers need your help. And, right now, you have the opportunity to be a new kind of service leader—a net driver of product revenue, customer retention, and enterprise value."
Stephen Satterwhite, Founder, Entelligence

ENSOURCING: The Next Evolution of Services

By combining scalability, cost-efficiency, and high-quality service delivery, ensourcing provides a sustainable path for growth while protecting enterprise value. For SaaS companies looking to scale without sacrificing profitability or customer experience, ensourcing is the way of the future.

In Summary

The SaaS industry has evolved rapidly, but service delivery models have remained stagnant—until now. Traditional approaches to professional services, whether in-house, outsourced to global systems integrators, or dependent on channel partners, often come with high costs, scalability challenges, and reduced customer satisfaction.

This white paper introduces **ensourcing**, a groundbreaking model that transforms services from a cost center into a **growth accelerator**. By embedding expert talent directly into SaaS organizations without adding fixed headcount or operational burden, ensourcing ensures **higher ARR, improved retention, and stronger service margins**.

The paper explores the three stages of ensourcing—**People, Programs, and Platforms**—demonstrating how SaaS companies can scale services efficiently while maintaining control over customer outcomes. Case studies highlight its real-world impact, including reduced churn, increased revenue, and enhanced customer satisfaction.

For SaaS leaders seeking **a scalable, cost-effective approach to services delivery**, ensourcing offers a **new playbook for growth, differentiation, and long-term success**.

About Entelligence

Entelligence pioneered the concept of ensourcing after dedicating more than 28 years to the professional services staffing industry. Entelligence has proven their ability to deliver seamless, white-label services with elite talent and rapid deployment, working with technology firms including AWS, Broadcom, Google Cloud, Hewlett Packard Enterprise, Palo Alto Networks, PureStorage, and ServiceNow.

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