

# SaaS HAPPINESS

Guide to Measuring & Managing What Matters



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# AGENDA

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- SaaS Dashboard
- Funnel Metrics
- Sales Metrics
- Churn Metrics
- Improving Sales Productivity
- Reducing Churn
- Other Topics

Charts and data in this presentation sourced from *SaaS Metrics 2.0 – Guide to Measuring and Improving What Matters* by David Skok

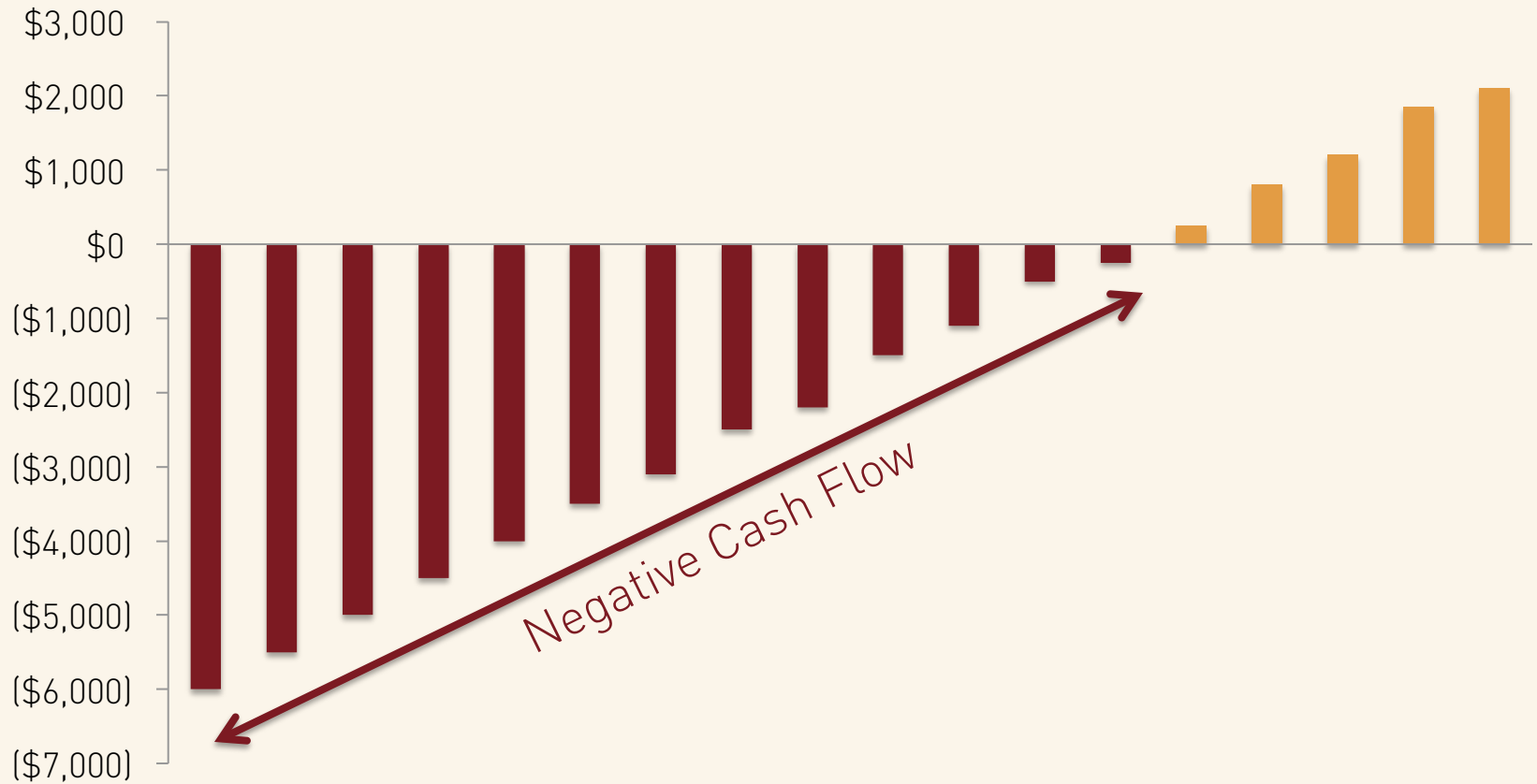
# GLOSSARY

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- LTV: Total revenue over the lifetime of a customer
- CAC: Fully loaded customer acquisition cost per customer
- MRR: Monthly recurring revenue per customer
- FTE: Full-time equivalent employees

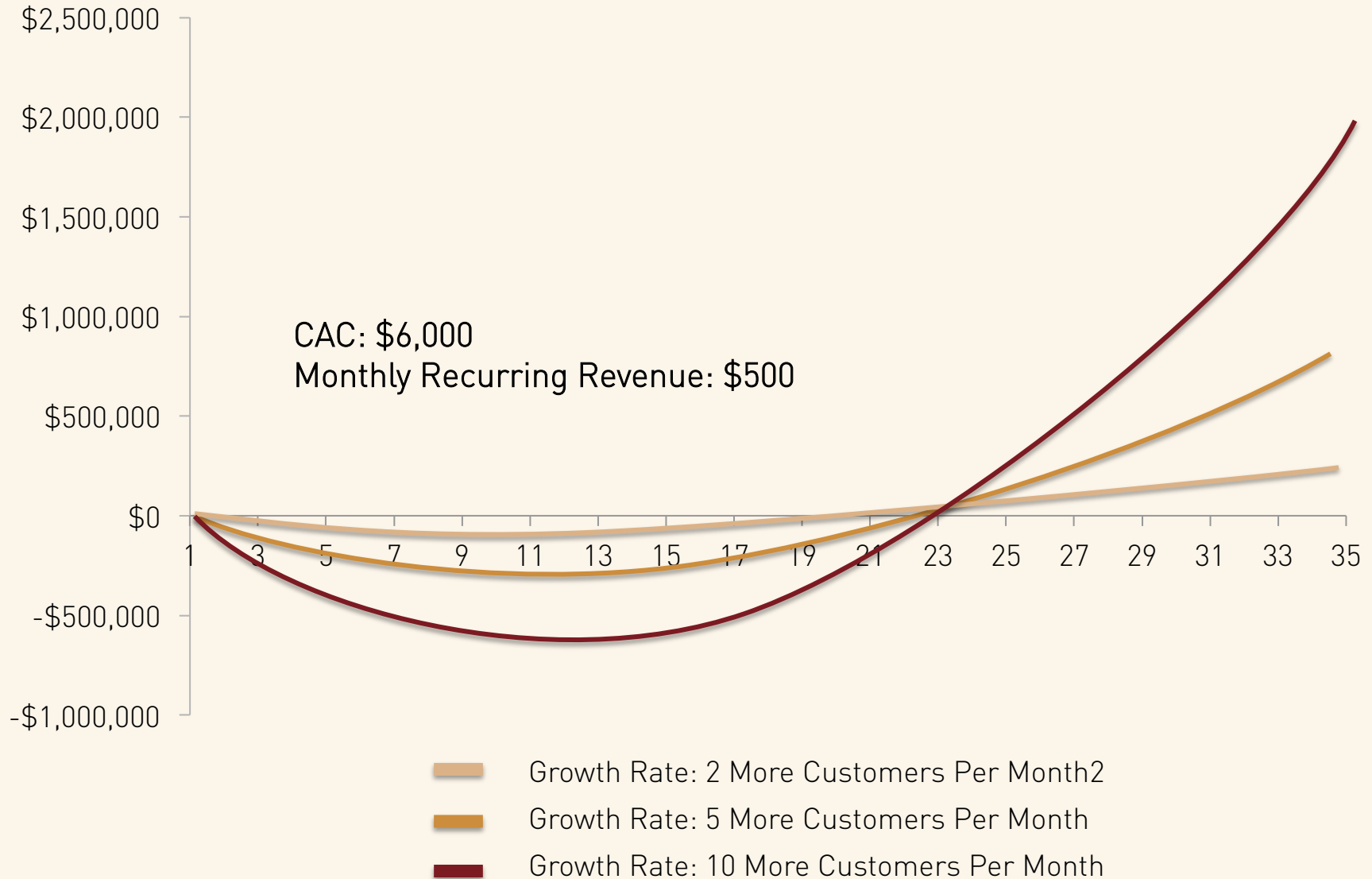
# MANAGING UNIT ECONOMICS IS CRITICAL TO SaaS COMPANY SUSTAINABILITY

## Single Customer – Cumulative Cash Flow



Customer profile assumption: CAC=\$6k, MRR \$500 billed monthly

# IF DONE RIGHT, SHORT-TERM CASH FLOW PAIN = LONG TERM EV GAIN



# SaaS UNIT ECONOMICS DASHBOARD

## Actual HubSpot Data

	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12
LTV:CAC	1.7	1.9	1.9	2.6	3.5	4.7
Avg. MRR	\$429	\$507	\$548	\$560	\$583	\$577
MRR Churn	3.5%	2.7%	2.8%	2.3%	2.0%	1.5%
CAC	\$6,025	\$7,876	\$8,541	\$7,809	\$6,880	\$6,793
Months to Recover CAC	14	15.5	15.6	13.9	11.8	11.8
Margin	83%	81%	80%	82%	81%	82%
LTV	\$10,074	\$14,964	\$15,919	\$20,325	\$23,775	\$31,806

# FUNNEL METRICS

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	Jan	Feb	Mar	Apr	May	Jun
Visitors to Website	4700	5178	4574	4923	5000	5170
Conversion to Trials	5.0%	4.5%	4.7%	5.2%	4.8%	5.3%
Trials in Progress	235	233	215	256	240	272
Conversions to Purchase	17%	18%	20%	18%	20%	19%

# SALES METRICS

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	Jan	Feb	Mar	Apr	May	Jun
Sales FTEs	6.0	6.5	7.0	7.5	8.0	8.5
MRR Quota per FTE	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200
MRR Sales Capacity	\$25,000	\$26,100	\$29,200	\$31,300	\$33,300	\$35,400
New MRR Booked	\$22,000	\$23,000	\$24,500	\$26,000	\$27,000	\$29,000
Avg. MRR per FTE	\$3,700	\$3,500	\$3,500	\$3,500	\$3,400	\$3,400
Production vs. Capacity	88%	83%	83%	83%	81%	81%



# SALES METRICS <CONT'D>

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	Jan	Feb	Mar	Apr	May	Jun
New Bookings	\$121K	\$161K	\$123K	\$169K	\$157K	\$180K
Avg. Deal Size	\$3,025	\$3,833	\$2,849	\$3,674	\$3,263	\$3,458
Avg. Months Paid Upfront*	5.5	7.0	5.0	6.5	5.8	6.2
Avg. MRR New Customers	\$550	\$548	\$570	\$565	\$563	\$558
Avg. MRR All Customers	\$514	\$521	\$530	\$538	\$552	\$562

# CHURN METRICS

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	Jan	Feb	Mar	Apr	May	Jun
Total Customers	808	825	845	866	890	916
New Customers	40	42	43	46	48	52
Lost Customers	(24)	(25)	(23)	(25)	(24)	(26)
% Customer Churn	3.0%	3.1%	2.8%	3.0%	2.8%	2.9%
% MRR Churn	2.1%	2.7%	2.1%	2.0%	1.9%	1.8%
% MRR Expansion	0.5%	0.6%	0.5%	0.3%	1.5%	0.7%
% Net MRR Churn	1.6%	2.1%	1.6%	1.7%	0.4%	1.1%

# IMPROVING SALES PRODUCTIVITY

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- Right Sales Organization?
  - Lead Generation & Qualification Engine
  - Hunters vs. Farmers
- Right Compensation Structure?
- Right Pricing Model?
- Win-Loss Ratio Analysis
  - How Do You Compare Against the Competition?

# DIAGNOSING and REDUCING CHURN

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- Understanding *Why* Customers are *Really* Churning
  - Is it Product, Pricing, Benefit, Competitive Offers?
  - No substitute for speaking to departing customers
- Commonalities Amongst Churning Companies ?
- Will Better Qualification, Onboarding, Training, and Customer Support Processes Impact Churn?
- Implement early warning system
  - Customer satisfaction score
  - Address underperforming customers before renewal date

# OTHER TOPICS

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- Revenue Allocation and Recognition
- Do You Know True Costs Of:
  - Customer Acquisition
  - Service Delivery vs. R&D
  - Where to Allocate Onboarding Costs?
- Cohort Analysis
- Ordering and Contracting
  - Simplified Contracts
  - Auto Renewals

# RESOURCES

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- *SaaS Metrics 2.0 – Guide to Measuring and Improving What Matters* by David Skok
- *Predictable Revenue* by Aaron Ross