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The SaaS CFO's Guide To Achieving GTM Metrics

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MY STORY

- SaaS CFO
- Courses, content, coaching, consulting
- 25+ years in finance & accounting
- 9+ years as a SaaS CFO
- Airlines and software
- MBA and CPA (TN)
- Blogging 7+ years on SaaS at TheSaaSCFO.com
- Courses @ TheSaaSAcademy.com

Today's Agenda

- 5 Pillar Metrics Framework
- GTM Metrics
- GTM Data
- Q&A

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The SaaS Metrics Framework

GROWTH / MATURITY

GROWTH	RETENTION	MARGINS	PROFIT & OPEX	EFFICIENCY
New Bookings	Logo Retention	Gross Margin	Rule of 40	LTV to CAC Ratio
Expansion Bookings	Gross Dollar Retention	Recurring GM	R&D as % of Rev	CAC Payback
Committed ARR	Net Dollar Retention	Services Margin	Sales/Mkt as % of Rev	Cost of ARR
New Logos	Renewal Rate	Revenue Mix	G&A as % of Rev	Magic Number
	NPS / CSAT		EBITDA	Rev per FTE
				ROSE Metric

TheSaaSAcademy.com

The Why

What’s my return on sales and marketing spend?

We want to avoid the “Black Hole” of spend!

Can you answer this question?

For every dollar I invest in S&M, how much ARR does it produce?

Where do we start?

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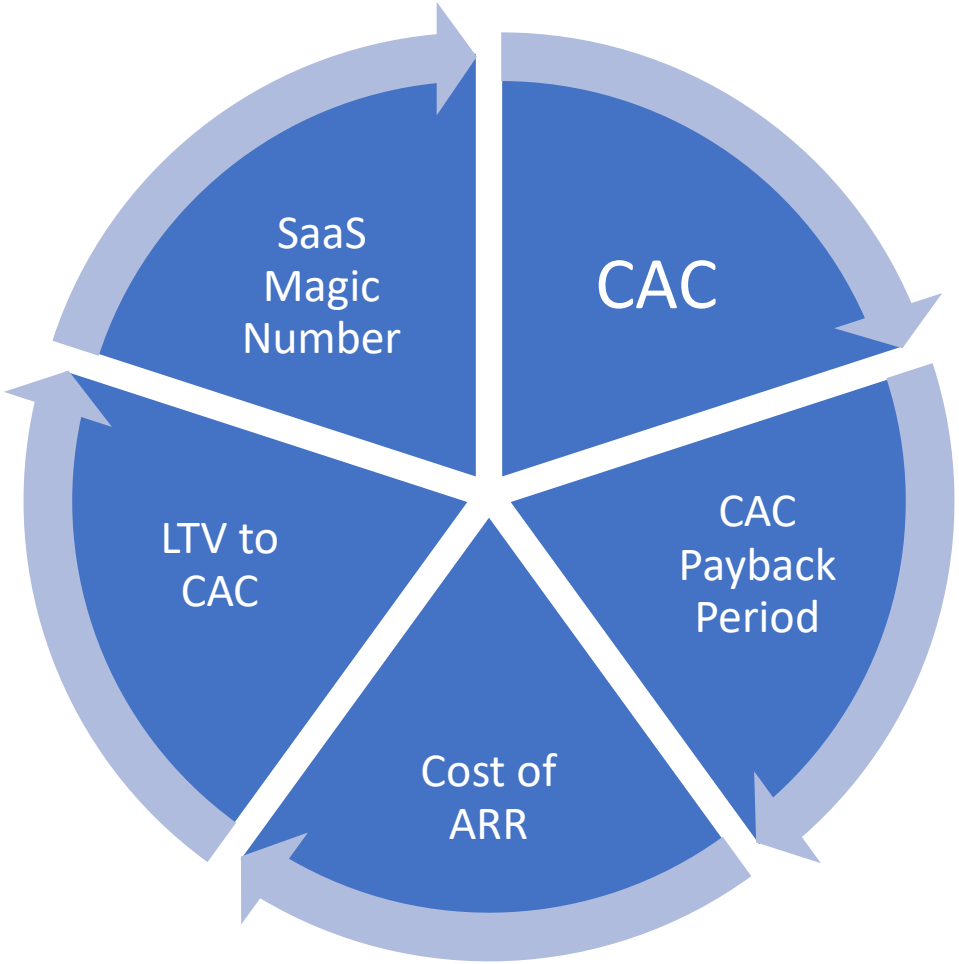
GTM Profile Metrics



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GTM (CAC) Metrics

CAC	The cost to acquire one new customer.
CAC Payback Period	The months required to pay back CAC.
Cost of ARR	The dollar cost to acquire $1 of net new ARR.
LTV to CAC	The balance between customer value and CAC.
SaaS Magic Number	The cost of revenue growth.

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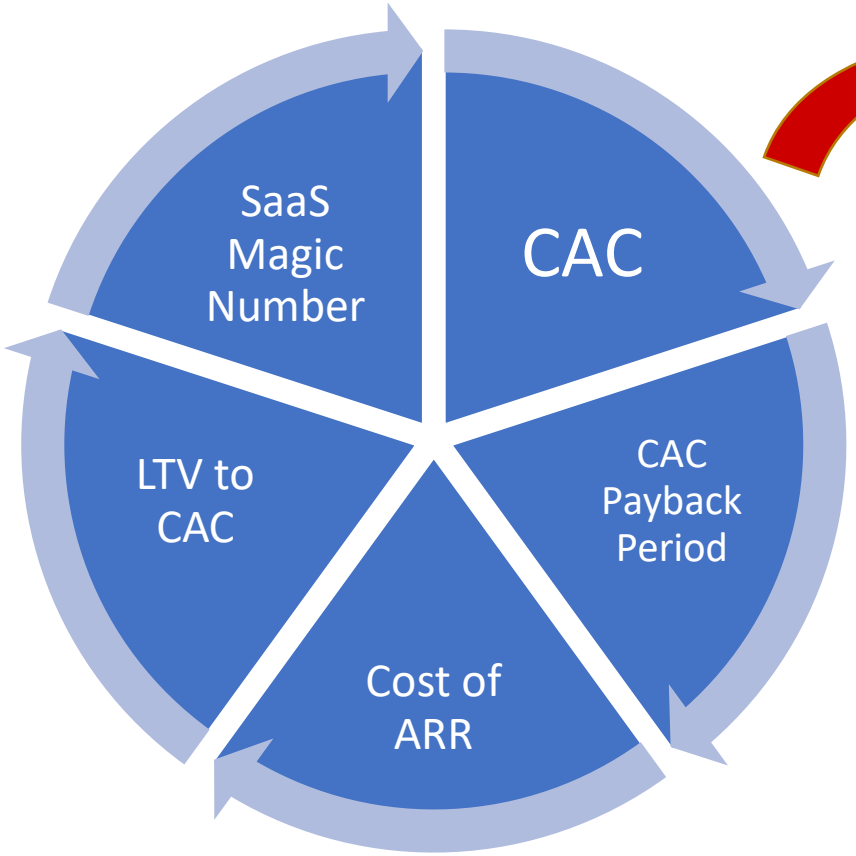
Context Is Important!



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New Logos	Renewal Rate	Revenue Mix	G&A as % of Rev	Magic Number
	NPS / CSAT		EBITDA	Rev per FTE
				ROSE Metric

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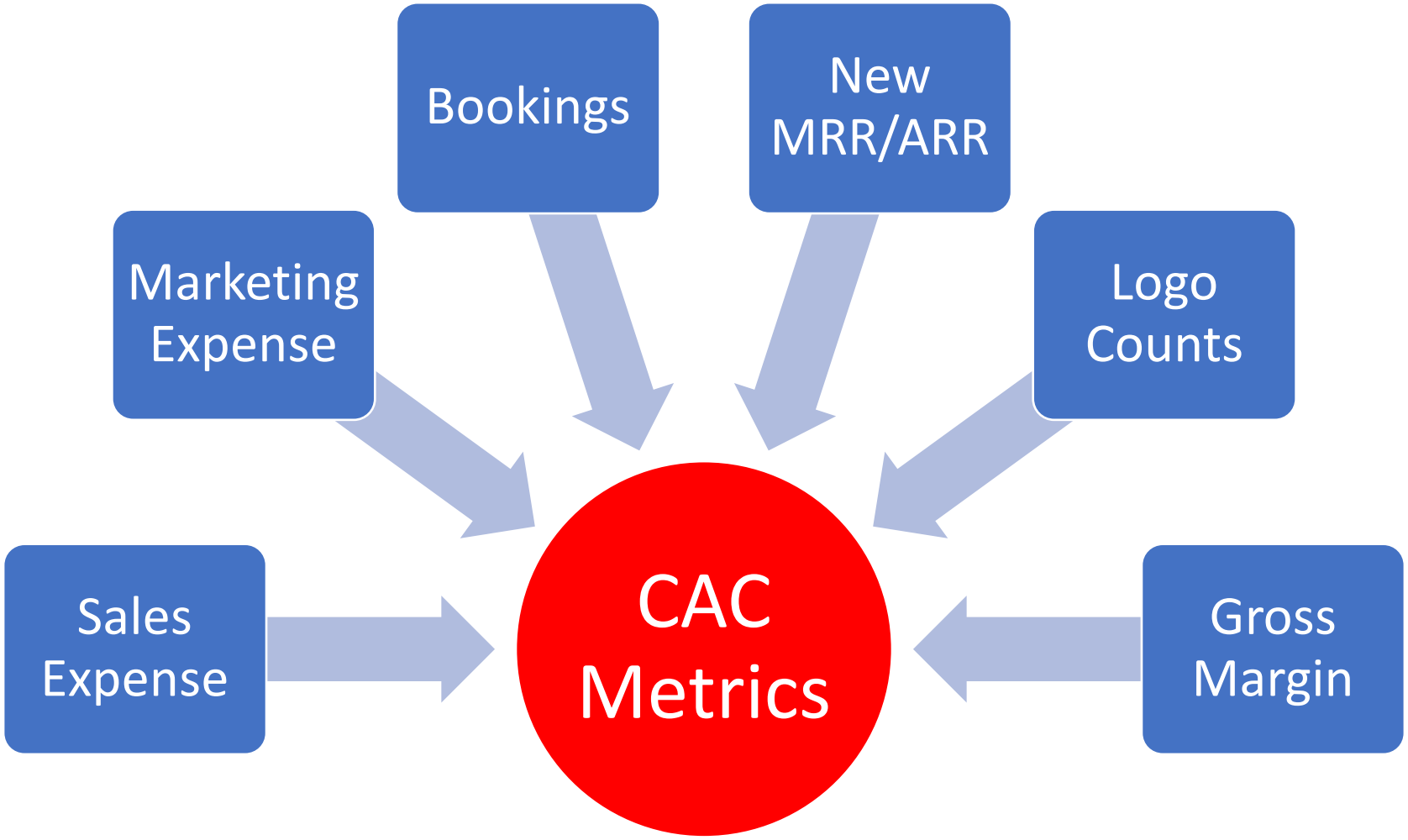
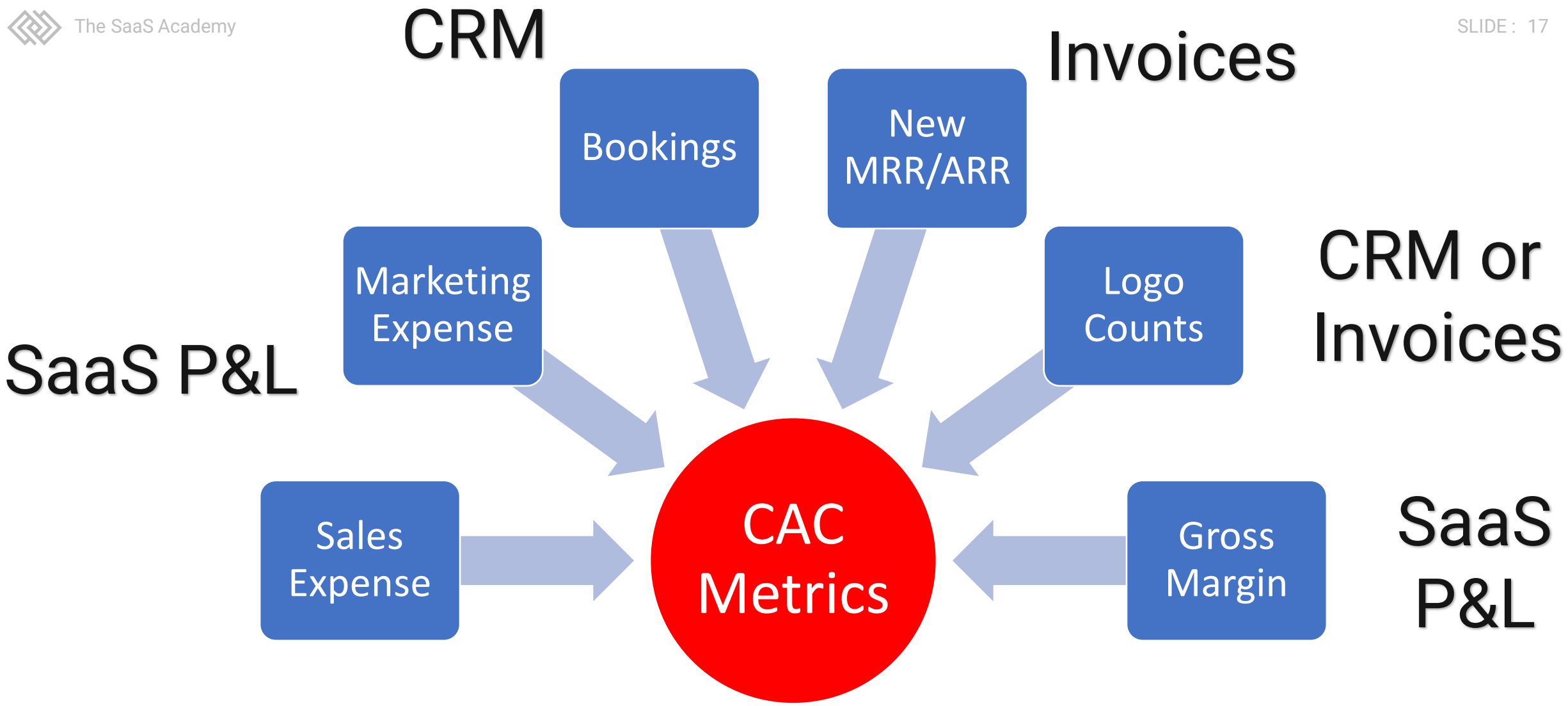
The GMT Metrics Process

The Data

Network Team Teamwork
24 Hours Contact U
Expansion
Strategy Planning Branding Brand Equity Network Team Teamwork Success Business Support Deal Approves Rejected Business Support Deal Approves Rejected Business Support Deal Approves Rejected



The CAC Dataset



The CAC Dataset

Sales Expense	Fully-burdened expenses attributable to sales. Wages, taxes, benefits, travel, commissions, internal-use software (CRM), training, etc.
Marketing Expense	Fully-burdened expenses attributable to marketing. Wages, taxes, benefits, travel, paid ads, conferences, brand, swag, internal-use software (ESP), training, etc.
Bookings	Executed contracts for our products and services tracked in our CRM software.
New ARR/ARR	If we don't track bookings in our CRM system and offer a low-price point, self-service, we need to track the "layers" of our MRR each month. This includes new, expansion, contraction, and churn MRR.
Logo Counts	In addition to dollars, we must track the number of new and lost customers/users each month. It also helps to track the number of expanded and contracted customers each month.
Gross Margin	Many SaaS metrics are gross adjusted. We need our overall gross margin and recurring gross margin.

The CAC Dataset

Biggest Data Mistake In GTM Metrics?

Not tracking bookings or poor tracking of bookings data.

Without this, we cannot calculate our GTM efficiency metrics.

CRM | BOOKINGS

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- Download closed won opportunity data from our CRM system to create bookings data.

	A	B	C	D	E	F	G	H	I	J
1	**Bookings Report**									
2	**TheSaaSCFO.com**									
3	CY2021-2022									
4										
5										
6	**New Customers**	**Jan-21**	**Feb-21**	**Mar-21**	**Apr-21**	**May-21**	**Jun-21**	**Jul-21**	**Aug-21**	**Sep-21**
7	ARR	70,000	96,140	143,976	191,812	239,647	287,483	335,319	383,155	430,990
8	Field Services	5,200	2,500	3,500	4,500	5,500	6,500	7,500	8,500	9,500
9	**Sub-total New**	**$75,200**	**$ 98,640**	**$147,476**	**$196,312**	**$245,147**	**$293,983**	**$342,819**	**$391,655**	**$440,490**
10										
11										
12	**Existing Customers**	**Jan-21**	**Feb-21**	**Mar-21**	**Apr-21**	**May-21**	**Jun-21**	**Jul-21**	**Aug-21**	**Sep-21**
13	Upsell	500	5,000	50,000	500	14,000	11,750	9,500	7,250	5,000
14	Cross-sell	500	5,000	50,000	500	14,000	11,750	9,500	7,250	5,000
15	Downgrades		(5,000)						(50,000)	
16	Field Services	1,250	3,546	2,345	3,475	4,023	4,570	5,118	5,665	6,213
17	**Sub-total Existing**	**$ 2,250**	**$ 8,546**	**$102,345**	**$ 4,475**	**$ 32,023**	**$ 28,070**	**$ 24,118**	**$ (29,835)**	**$ 16,213**
18										
19	ARR	71,000	101,140	243,976	192,812	267,647	310,983	354,319	347,655	440,990
20	Field Services	6,450	6,046	5,845	7,975	9,523	11,070	12,618	14,165	15,713
21	**Total Bookings**	**$77,450**	**$107,186**	**$249,821**	**$200,787**	**$277,170**	**$322,053**	**$366,937**	**$361,820**	**$456,703**

Calculate

Monthly Process

Define the formula, parameters, and nuances!

Calculate historical and forecasted metrics

Calculated by your CFO, FP&A team, or Fractional CFO

The Process

What Am I Looking For?

Context

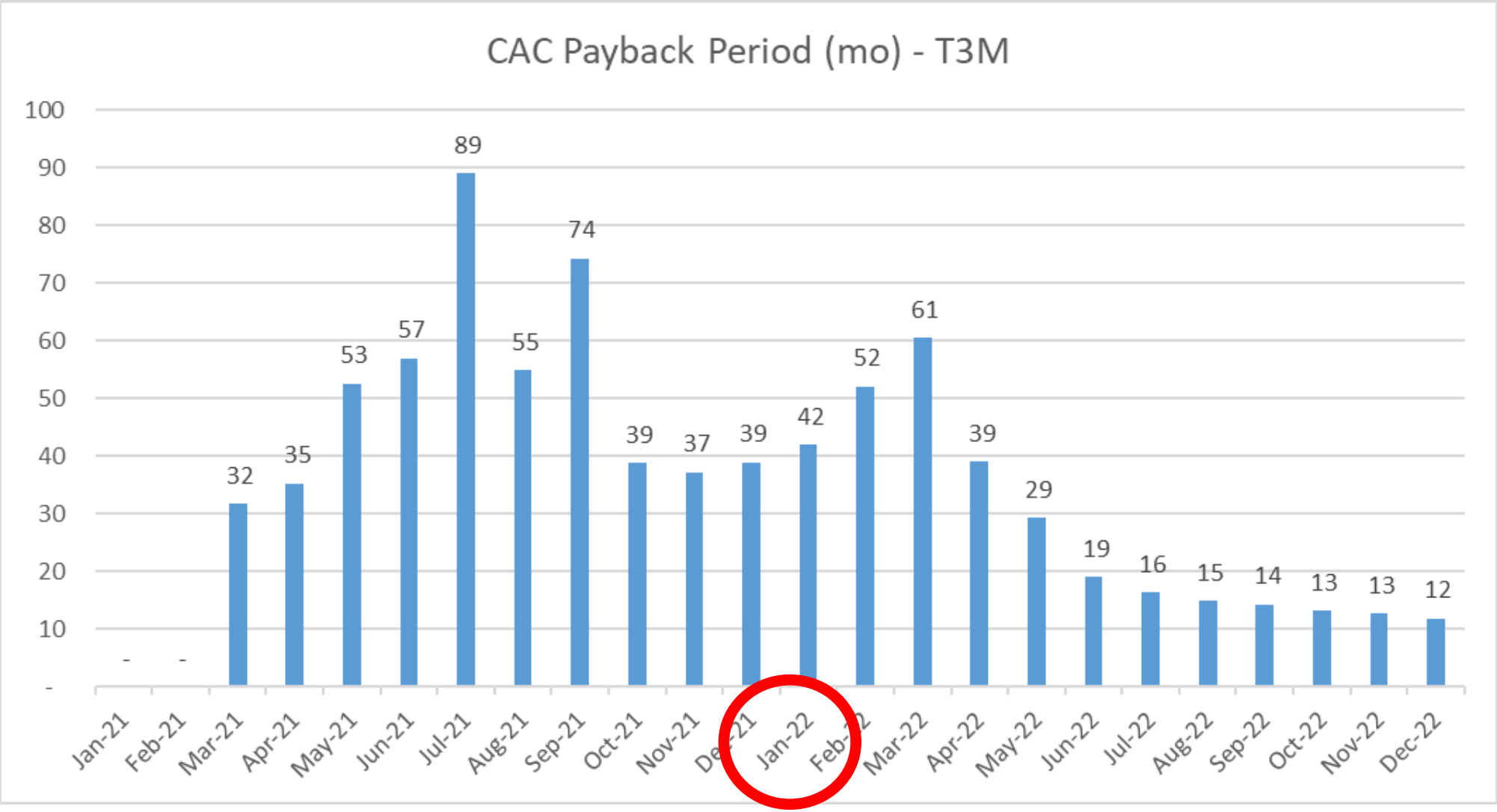
Trends

Benchmarks

Context

We need more than one point in time.

Historical and Forecast



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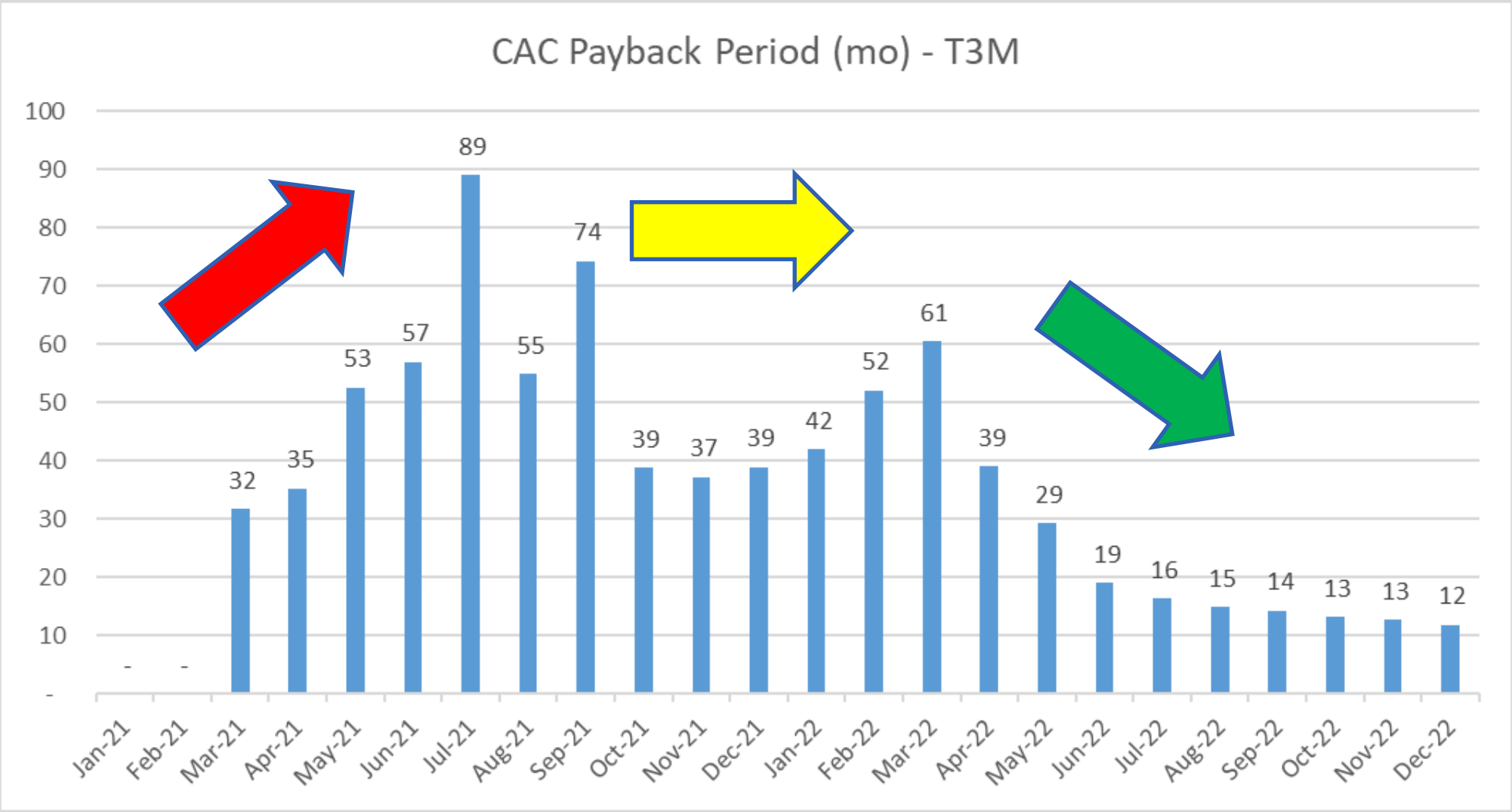
Context

Trends

Do we see a pattern?

Are we on an upward, flat, or downward trajectory?

What actions do we need to take?



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Trends

Benchmarks

How do we compare against our peers or top performers or internal targets?

Benchmarks | Point In Time

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Not enough data · Caution · Doing great · Investigate

GROWTH

Metric	Actual	Benchmark	Status
New Bookings	(15%)	50	INVESTIGATE
Expansion Bookings	82%	50	DOING GREAT
CARR	44%	50	CAUTION
New Logos	(18%)	50	NOT ENOUGH DATA
ARPA / ARPU	$16,784	--	NOT ENOUGH DATA

RETENTION

Metric	Actual	Benchmark	Status
Gross Logo Retention	90%	95%	CAUTION
Gross Dollar Retention	90%	95%	CAUTION
Net Dollar Retention	110%	120%	CAUTION
Net Promoter Score	--	40	NOT ENOUGH DATA

GROSS MARGIN

Metric	Actual	Benchmark	Status
Overall Gross Margin	85%	80%	DOING GREAT
Recurring Margin	84%	85%	DOING GREAT
PS Margin	20%	25%	DOING GREAT
PS Mix	5%	20%	DOING GREAT

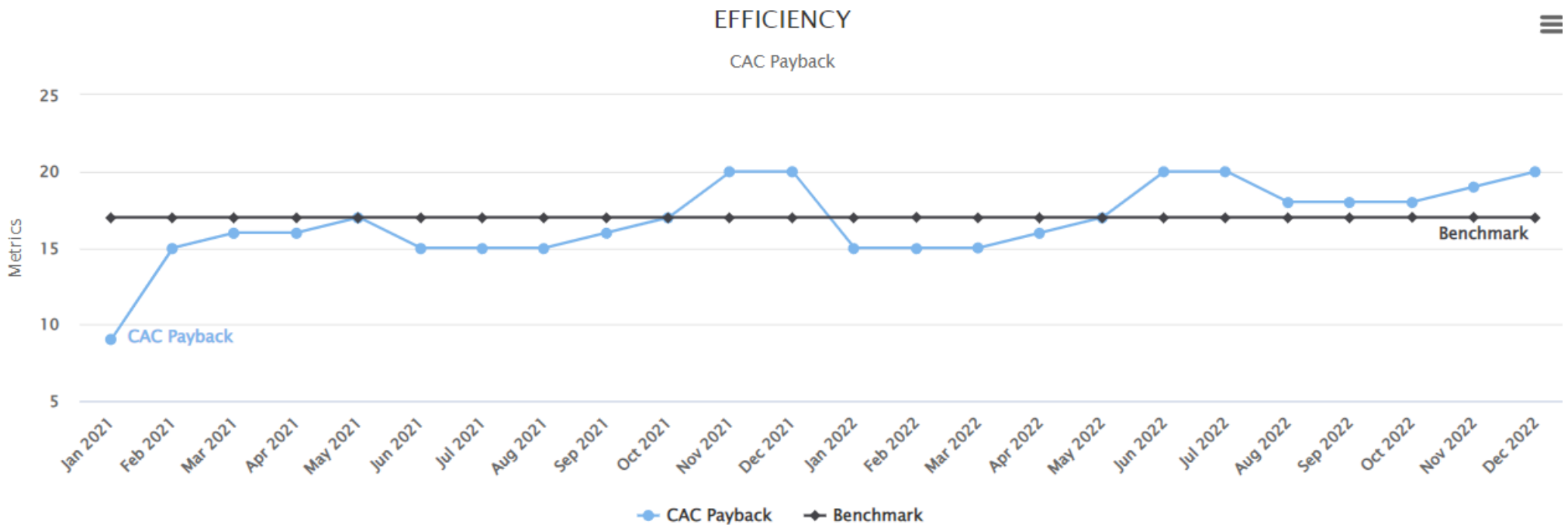
PROFIT & OPEX

Metric	Actual	Benchmark	Status
Rule of 40	74	40	DOING GREAT
Sales/Marketing as % of Rev	26%	20%	DOING GREAT
R&D as % of Rev	13%	22%	DOING GREAT
G&A as % of Rev	23%	15%	CAUTION
Adj. EBITDA	22%	10%	DOING GREAT

EFFICIENCY

Metric	Actual	Benchmark	Status
LTV to CAC Ratio	22	4	DOING GREAT
CAC Payback	11	12	DOING GREAT
Cost of ARR	$0.61	$1.20	DOING GREAT
Magic Number	(0.2)	1.2	INVESTIGATE
Rev per FTE	150	--	CAUTION

GROWTH	RETENTION	GROSS MARGIN	PROFIT & OPEX	EFFICIENCY
New Bookings	Gross Logo Retention	Overall Gross Margin	Rule of 40	LTV to CAC Ratio
Expansion Bookings	Gross Dollar Retention	Recurring Margin	Sales/Marketing as % of Rev	CAC Payback
CARR	Net Dollar Retention	PS Margin	R&D as % of Rev	Cost of ARR
New Logos	Net Promoter Score	PS Mix	G&A as % of Rev	Magic Number
ARPA / ARPU			Adj. EBITDA	



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Benchmarks | Historical & Forecast

Metrics Together

Metrics in isolation do not mean much.

Must look at the complete metrics story.

Not just one metric!

Financial Free Fall

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GROWTH		RETENTION		GROSS MARGIN		PROFIT & OPEX		EFFICIENCY	
New Bookings (T3M)		Gross Logo Retention		Overall Gross Margin T6M		Rule of 40		LTV to CAC Ratio	
-73%	50%+	46%	90%+	75%	70%+	-245	40+	0.3	2x - 5x
Expansion Bookings (T3M)		Gross Dollar Retention		Recurring Margin		R&D as % of Rev T6M		T3M CAC Payback	
-63%	50%+	38%	90%+	74%	80%+	110%	15-20%	50	11 - 15
Revenue Growth (T3M)		Net Dollar Retention		PS Margin		Sales/Marketing as % of Rev		Blended Cost of ARR	
-40%	50%+	42%	100%+	N/A	35%+	98%	25%+	$2.41	< $1.33
New Logos (T3M)		Net Promoter Score		PS Mix		G&A as % of Rev		Rev per FTE ($000)	
-79%	50%+	N/A	40+	N/A	<25%	73%	< 20%	$133	UP
ARPA / ARPU						Adj. EBITDA		Magic Number	
$134	FLAT					-206%	20%+	(0.7)	0.75

No Growth, No Investment

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GROWTH		RETENTION		GROSS MARGIN		PROFIT & OPEX		EFFICIENCY	
New Bookings		Gross Logo Retention		Overall Gross Margin (T6M)		Rule of 40		LTV to CAC Ratio	
-25%	50%+	68%	90%+	73%	70%+	18%	40%+	5.5	2x - 5x
Expansion Bookings		Gross Dollar Retention		Recurring Margin (T6M)		R&D as % of Rev (T6M)		CAC Payback	
-14%	50%	69%	90%+	80%	80%+	14%	15-20%	8	11 - 15
CARR		Net Dollar Retention		PS Margin (T6M)		Sales/Marketing as % of Rev (T6M)		Cost of ARR	
9%	50%+	79%	100%+	-127%	35%+	11%	25%+	$ 0.40	$1.33
New Logos		Net Promoter Score		PS Mix		G&A as % of Rev (T6M)		Magic Number	
-29%	50%+	N/A	40+	3.5%	<25%	44%	< 20%	(0.1)	0.75
ARPA / ARPU						Adj. EBITDA			
$125	Up					4%	20%+		

Invest in S&M?

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GROWTH		RETENTION		GROSS MARGIN		PROFIT & OPEX		EFFICIENCY	
New Bookings (T3M)		Gross Logo Retention (T3M)		Overall Gross Margin (T3M)		Rule of 40 (T6M)		LTV to CAC Ratio (T3M)	
4%	50%+	72%	90%+	70%	70%+	24	40+	3	2x - 5x
Expansion Bookings (T3M)		Gross Dollar Retention (T3M)		Recurring Margin (T3M)		R&D as % of Rev (T6M)		CAC Payback (T3M)	
256%	50%+	71%	90%+	70%	80%+	12%	15-20%	15	11 - 15
CARR (T3M)		Net Dollar Retention (T3M)		PS Margin		Sales/Marketing as % of Rev (T6M)		Cost of ARR (T6M)	
10%	50%+	94%	100%+	N/A	35%+	22%	25%+	$0.52	< $1.63
New Logos (T3M)		Net Promoter Score		PS Mix		G&A as % of Rev (T6M)		ROSE Metric (T3M)	
3%	50%+	N/A	40+	0%	<25%	22%	< 20%	$2.66	UP
MRR ARPA						Adj. EBITDA (T6M)		Magic Number (T3M)	
$68	UP					14%	20%+	1.5	0.75
Legend NED = not eough data		Better						Annual Rev per FTE (TTM)	
Actual	Goal	In Range						$ 271,098	UP
		Caution							
		Assessing							

Broken Busines Model?

More than just CAC?

We like to put a ton of pressure on Sales & Marketing but…

Do we also have margin and OpEx issues?

Poor CAC Profile?

We must pause further investment in sales and marketing.

With current spend, improve our GTM efficiency.

Burning Cash?

Do we need to implement delays?

Expense reductions?

We must determine our next steps…

Pause?
Cut?
Invest more?

Constantly Iterate

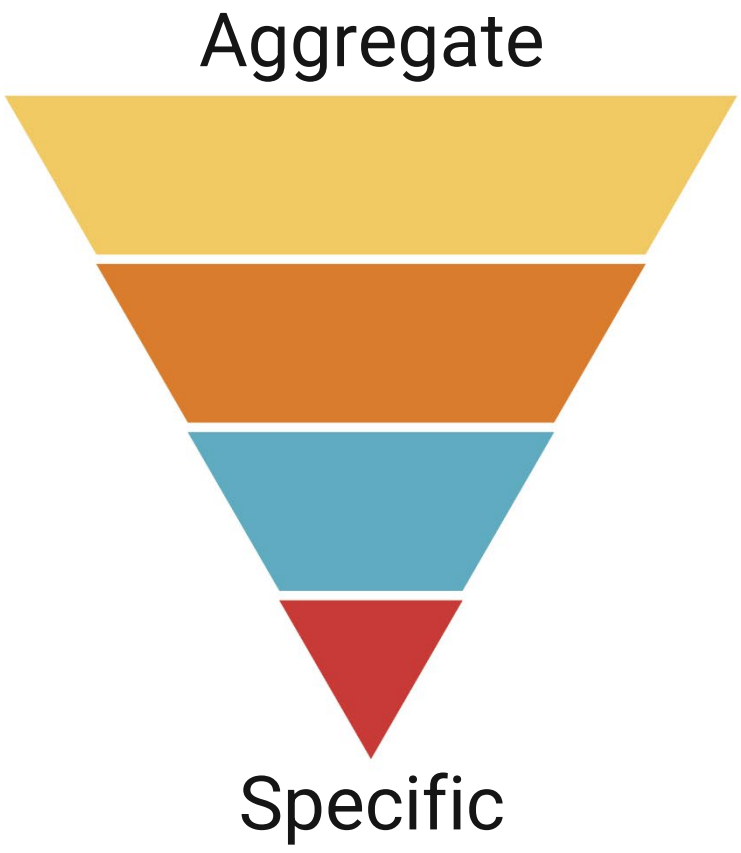
Helpful Tips

Sales Cycle Alignment

We calculate monthly but our period of measurement should be aligned to our sales cycles.

For self-service SaaS, we may calculate using one month only.

For high ACV products, we may calculate using trailing 12 months.



Segments of CAC/GTM

We should calculate in aggregate at first but also by the appropriate segments for our business.

Customer demographics, and/or ideal customer profile (ICP), for example.

PLG Motion?

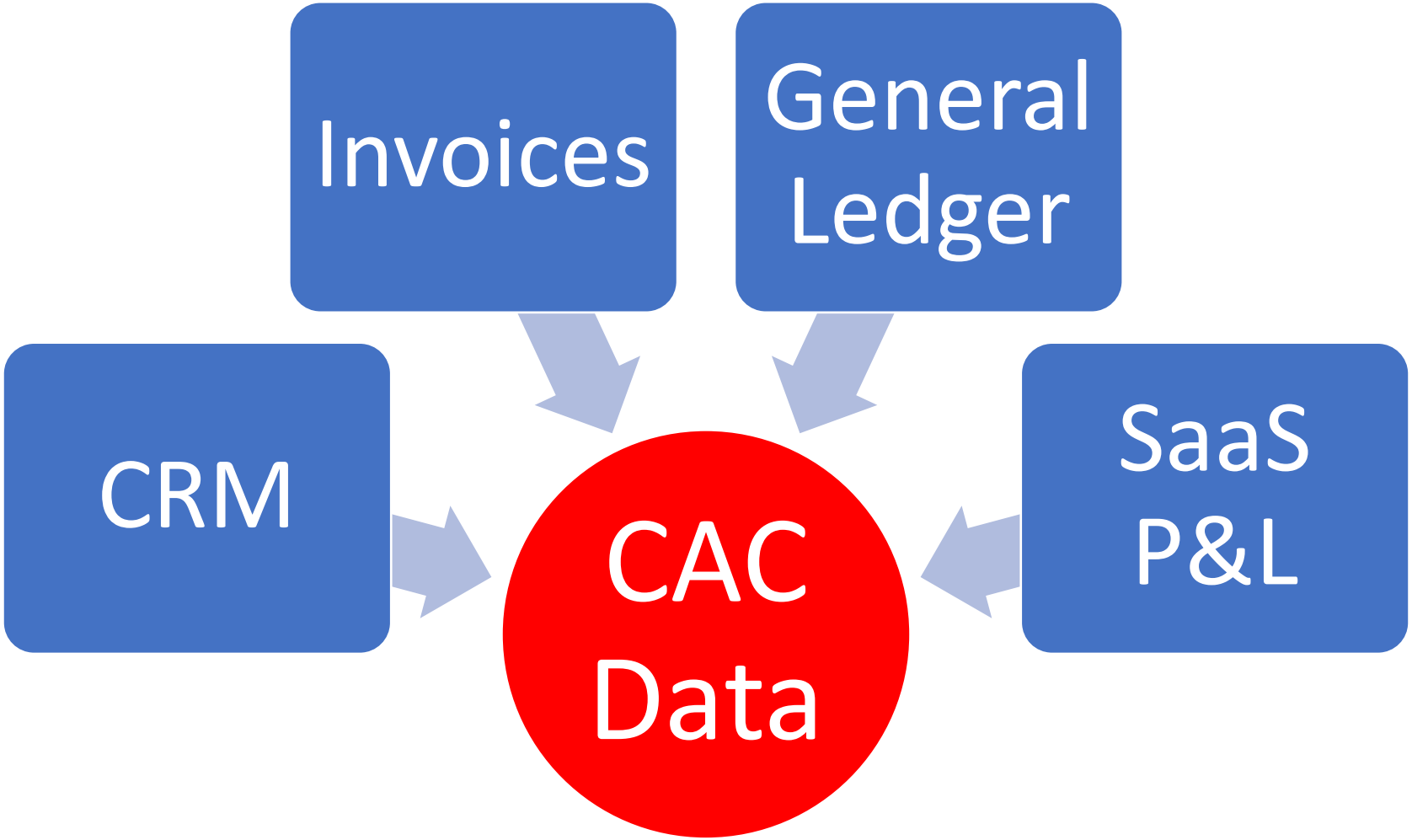
Post-sale expansion may need to be considered.

Do you have natural, organic expansion that may shorten your payback?

PLG Timing

Who gets credit for post-sale expansion?

The Systems



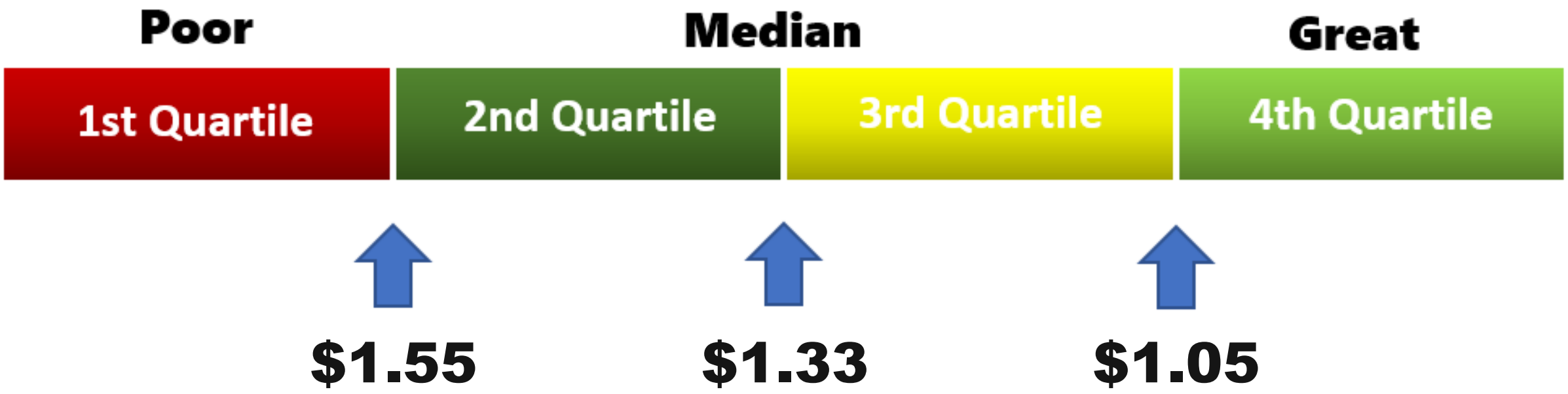
The CAC Dataset

Benchmarks

BENCHMARKS
Blended CAC Ratio

Source: RevOpsSquared.com FY21 SaaS Survey

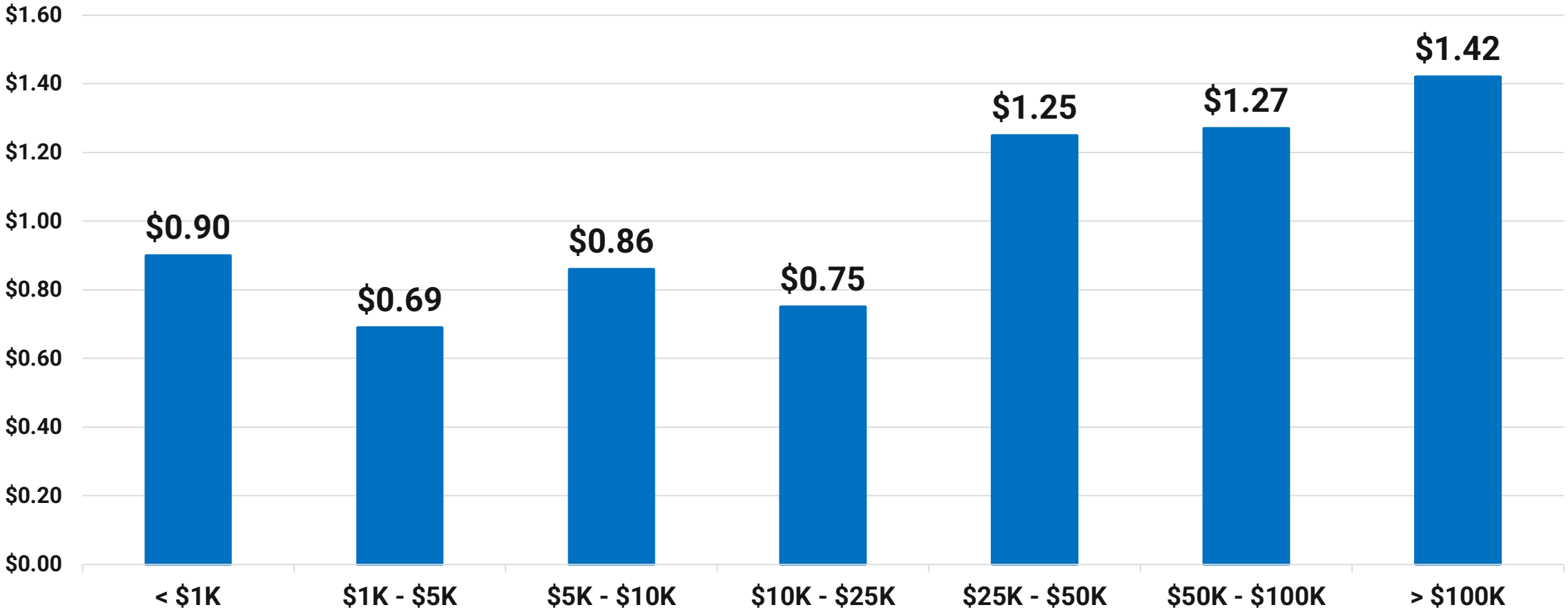
Total Population



BENCHMARKS

Blended CAC Ratio By ACV – Top Quartile

Source: RevOpsSquared.com FY21 SaaS Survey



Find your benchmarks…

https://saaskpibenchmarks.com/dashboard

Q&A

SUMMARY

- Assess GTM profile with 5 metrics
- For consistent, repeatable process:
  - Requires data set up
  - Requires systems set up
  - Agreement on calculations
- Assess
  - Trend
  - Context
  - Benchmarks
- Influence decision-making process and take action!

THANK YOU!

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To learn more…

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Appendix

The Metrics

CAC

→

METRIC TYPE: sales and marketing efficiency
MEASURES: the total sales and marketing expenses associated with acquiring one new customer
WHO: Finance, sales, marketing, CEO/founder

CAC FORMULA

$$\frac{\text{Sales + Marketing Expenses}}{\text{New Customers Acquired}}$$

Sales and Marketing Expenses

Only the expenses associated with acquiring NEW business

New Customers Acquired

Newly acquired customer count

CAC PAYBACK PERIOD

→

METRIC TYPE: sales and marketing efficiency
MEASURES: the number of months required to pay back the upfront customer acquisition costs after accounting for the variable expenses to service that customer.
WHO: Finance, sales, marketing, Board, CEO/founder

CAC PAYBACK FORMULA

$$\frac{\text{CAC}}{\text{MRR} * \text{Recurring Gross Margin}}$$

CAC

Customer acquisition cost to acquire one new customer

MRR * Recurring Gross Margin

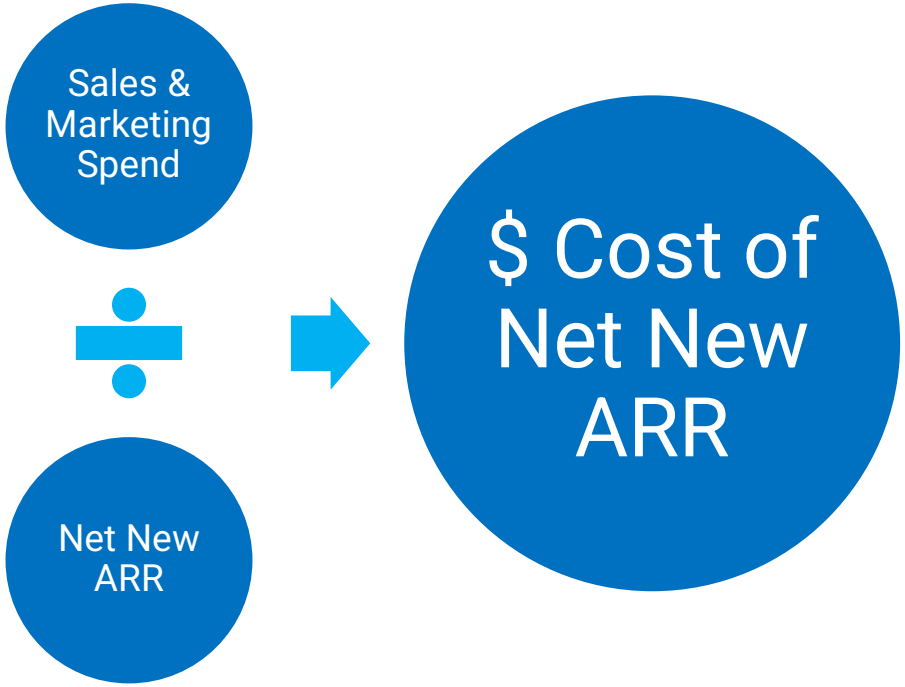
Monthly recurring revenue for that customer multiplied by your recurring gross margin

COST OF ARR

→

METRIC TYPE: sales and marketing efficiency
MEASURES: the cost to acquire $1 of net new ARR

COST OF ARR FORMULA



Sales & Marketing Expense

Fully burdened…wages, taxes, benefits, commissions, advertising, trade shows, conferences, swag, travel, etc.

Net New ARR

Includes your ARR from new business/logos, your net new ARR from existing customers and downgrades.

What is ARR?

Annual recurring revenue. Your executed contracts (i.e. bookings).

Result

The cost in dollars to acquire $1 of new ARR

SAAS MAGIC NUMBER

→

METRIC TYPE: sales and marketing efficiency
MEASURES: the relationship between annualized revenue growth and sales and marketing expense; revenue growth per one dollar of sales and marketing spend

FORMULA

$$\frac{(Current\ Quarter's\ Revenue - Previous\ Quarter's\ Revenue)\ x\ 4}{Previous\ Quarter's\ Sales\ \&\ Marketing\ Expense}$$

Recurring Revenue

Recognized subscription revenue
(not your booked or invoiced revenue)

Sales & Marketing Expense

Fully burdened…wages, taxes, benefits, commissions, advertising, trade shows, conferences, swag, travel, etc.

LTV

→

METRIC TYPE: financial return
MEASURES: revenue or margin that your company receives from one customer over the lifetime of that customer. The cash flows from that customer.

LTV FORMULA – ARR BASIS

$$\frac{\text{ARR} * \text{Recurring Gross Margin \%}}{\text{Annual \% Churn}}$$

- ARR = cohort ARR
- Margin = recurring gross margin
- Annual Dollar Churn % = dollar-based churn, not logo churn
- If MRR basis, replace ARR with MRR and Annual with Monthly

- Point in time calculation!
  - Median, Min, Max
- Don’t use entire customer base!