

E-book

How to Manage Subscription Metrics through 4 Stages of Venture Growth

Sage

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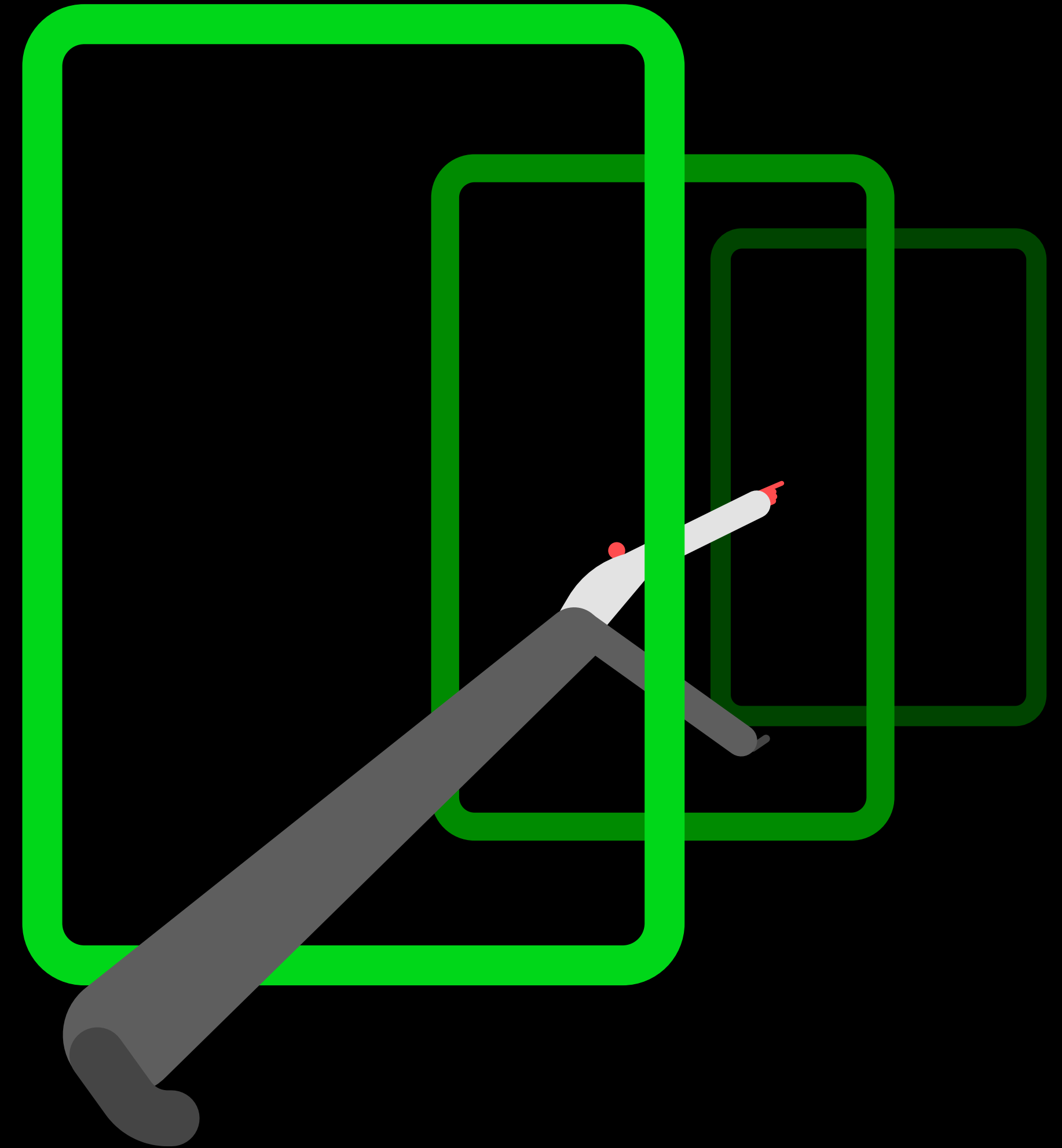
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The importance of SaaS metrics

Why they matter

Fast growth requires fast decisions made with the right information. All companies struggle to do this. But SaaS companies face more challenges. You construct your metrics reports with data you've pulled from disparate applications, and then aggregate that data and perform calculations within spreadsheets—typically a time-consuming, error-prone process.

What if you could easily capture and instantly access the detailed metrics you need, right when you need them? What if these metrics shed light on the pitfalls and opportunities ahead, as well as the root causes of performance trends?



Going beyond GAAP

Real-time SaaS metrics that extend outside of GAAP financial measures to include operational metrics are critical for your board reporting. They enable you to:

- Make faster decisions with key, real-time SaaS metrics
- Gain actionable insights from trends and details viewable by key business drivers
- Eliminate manual effort and the risk of inaccuracies through automation
- Capture your unique outcomes by tailoring SaaS metrics to your business processes, down to transaction—level data



Key SaaS metrics

The numbers used to spot trends, compare to benchmarks, drill down into the source data, and make quicker, more sound strategic decisions include:

- Churn
- Customer Lifetime Value (CLTV)
- Customer Acquisition Cost (CAC)
- Committed Monthly Recurring Revenue (CMRR)
- Annual or Monthly Recurring Revenue (ARR or MRR)



Changing metrics throughout the company growth lifecycle

As SaaS companies scale, there are a variety of key metrics that are needed to fully understand organizational health and determine the best ways to optimize the business. The importance of these metrics change throughout the company growth lifecycle, as do the underlying processes that produce them. Let's look at how these change over time...



Super early stage to early stage companies

Companies in the formative Super Early Stage are looking for product/market fit, and are often less detailed in their financials. As firms move into Series A and early stage, they are looking for initial traction. The key metrics for these companies to understand include:

- What is their Monthly Recurring Revenue (MRR) or their Annual Recurring Revenue (ARR)?
- What is it costing these companies to bring on new customers? Customer Acquisition Costs (CAC) will include all the sales and marketing costs required to close a deal.



Early stage to growth stage companies

As traction turns into expanded growth in Series C or D and Mezzanine rounds, the management teams are diving more into efficiency. The metrics companies at this stage need to understand include:

- What is the company's Gross Margin?
- What is the ratio between their Customer Lifetime Value (CLTV) of revenues to the business compared to what it cost to acquire them?
- Who is staying with the company when it comes time to renew, and who is leaving via churn? This can be tracked and managed on a customer count or a dollar amount such as ARR.



Growth stage to public companies

For that magical moment of the IPO and beyond, new metrics emerge as companies face the public markets and need to give more visibility to the future. These companies need to understand:

- What are their deferred revenues and the earnings before interest, tax, depreciation, and amortization (EBITDA)? These are key measures of a company's operating performance.
- What are the overall company expenses and the year-over-year growth on the number of customers?



The SaaS Imperative

Metrics at the speed of business

As you can hopefully see, in the SaaS world, it is critical to understand which metrics really matter and at what stage of company growth. There is an evolution of sophistication over time that matches the complexity and expansion that happen as companies find their way through crossing the chasm, into the bowling alley, and then through the tornado.



Get the critical SaaS metrics you need-how and when you want them

Sage Intacct can help you make quicker, more sound strategic decisions with real-time SaaS metrics that go beyond GAAP financials to include operational metrics—together, these are the critical metrics for your board reporting. Captured in an automated process from inside Sage Intacct, they're every bit as complete and accurate as your GAAP financials. The metrics for your SaaS business are delivered via a dashboard as performance cards, reports, charts, and graphs that you can use to spot trends, compare to benchmarks, drill down into the source data, and more.



“We needed an ERP system that could scale with us from zero to hundreds of millions of dollars in revenue. Sage Intacct is a great solution for managing a complex, high-growth business model like ours. It provides broad visibility into key business metrics and process improvements that help us further accelerate our growth.”

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“As a pre-IPO subscription business, we needed a financial management system that could help us scale rapidly, while providing transparency and real-time insight into metrics like our operating expenses and gross margins. We found just the right solution for our needs in Sage Intacct’s robust, cloud-based software.”

Pillow

