SAAS Metrics For Dummies
I have no idea what I'm doing
What is SaaS?
A licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.
3 Key Areas
3 Key Areas

1. Acquiring Customers
3 Key Areas

1. Acquiring Customers
2. Retaining Customers
3 Key Areas

1. Acquiring Customers
2. Retaining Customers
3. Monetizing Customers
1. SaaS is different
1. **SaaS is different**

2. **Key Metrics**
1. SaaS is different

2. Key Metrics

3. How to determine Success
1. SaaS is different
CASH FLOW
What happens if we add more customers?
Impact of Faster Growth on P&L/Cash Flow

- Blue line: Growth Rate: 2 more custs per mnth
- Red line: Growth Rate: 5 more custs per mnth
- Green line: Growth Rate: 10 more custs per mnth

Graph shows the impact of different growth rates on P&L/Cash Flow with time.
“Mo money, mo problems”
SAAS METRICS FTW!
2. SaaS METRICS
3 Metrics

1. Cost of acquiring a customer
3 Metrics

1. Cost of acquiring a customer
2. Lifetime value of a customer
3 METRICS

1. Cost of acquiring a customer
2. Lifetime value of a customer
3. Months to recover CAC
CAC

Cost of Acquiring A Customer
Cost to Acquire Customer

CAC = All expenses
CAC = $3,033
Customer Lifetime = \frac{1}{\text{Customer Churn Rate}}
Customer Lifetime = \frac{1}{20\%}
Customer Lifetime = 5 years
LTV

LIFETIME VALUE OF A CUSTOMER
LTV = Average MRR * Gross Margin

Monthly Churn Rate
LTV = $2,225 * 60% / 20%
LTV = $6,675
Months to Recover CAC
Months to Recover CAC

\[
\text{Months} = \frac{\text{CAC}}{\text{MRR} \times \text{Gross Margin}}
\]
$3,033

Months to Recover CAC

$2,225 \times 60\%$
Acme Corp.

Months = 2.2
3 Metrics
3 Metrics

Cost of Acquiring a Customer
3 Metrics

- Cost of Acquiring a Customer
- Lifetime Value of a Customer
3 Metrics

Cost of Acquiring a Customer

Lifetime Value of a Customer

Months to Recover CAC
3. Determine Success
We now have everything that we need!
Is the LTV > 3x CAC?
Is the LTV > 3x CAC?

We need a ratio of 3:1 to determine success.
LTV > 3x CAC
Acme Corp.

$6,675 : $3,033
2.2 x
LONG RUN
Months to recover CAC < 12
Months = 2.2
Impact of Faster Growth on P&L/Cash Flow

- Growth Rate: 2 more custs per mth
- Growth Rate: 5 more custs per mth
- Growth Rate: 10 more custs per mth
How can we affect these numbers?
• Reduce churn

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- Reduce churn
- Increase sales
How can we affect these numbers?

- Reduce churn
- Increase sales
- Cross sell
How can we affect these numbers?

- Reduce churn
- Increase sales
- Cross sell
- Invest in profitable leads
LTV - CHURN

\[
\text{LTV} = \frac{\$2,225 \times 60\%}{20\%}
\]

2015
LTV - CHURN

LTV = $6,675
LTV - Churn

$LTV = \frac{\$2,225 \times 60\%}{20\%}$

2015
LTV = $2,225 \times 60\% \\ \underline{20\%} \quad \underline{15\%} \\

2015
LTV = $8,900 per customer
$2,225 K more per customer
$1,335,000 more!
Summary

1. SaaS is different
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2. Key Metrics
Summary

1. SaaS is different
2. Key Metrics
3. How to determine success
3 KEY AREAS

1. Acquiring a Customer

2. Retaining Customers

3. Monetizing Customers
Thank you!