SaaS METRICS REPORT
2014
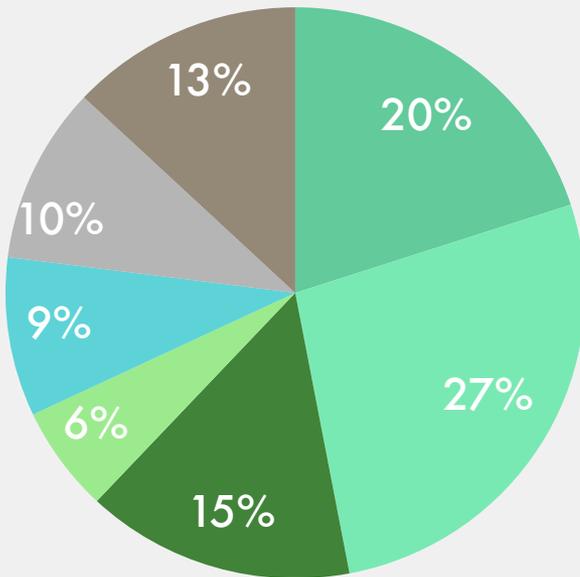
Totango surveyed over 500 SaaS professionals about the key performance indicators used to run their businesses.

Similar surveys have been conducted annually since 2011, giving Totango unique insights into SaaS trends.
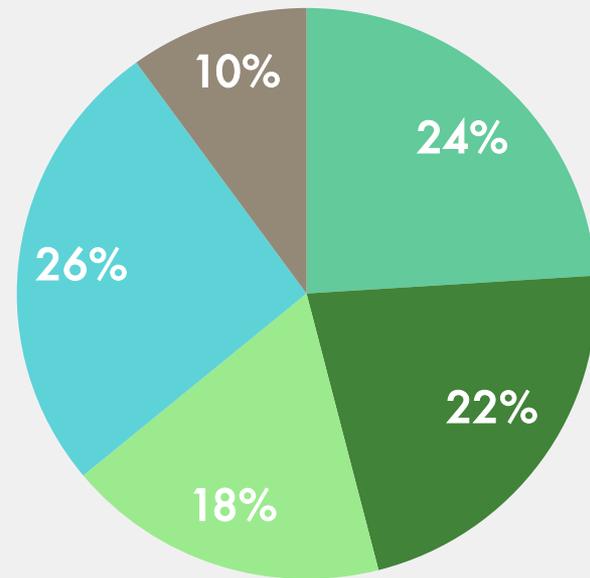
SURVEY PARTICIPANT PROFILE

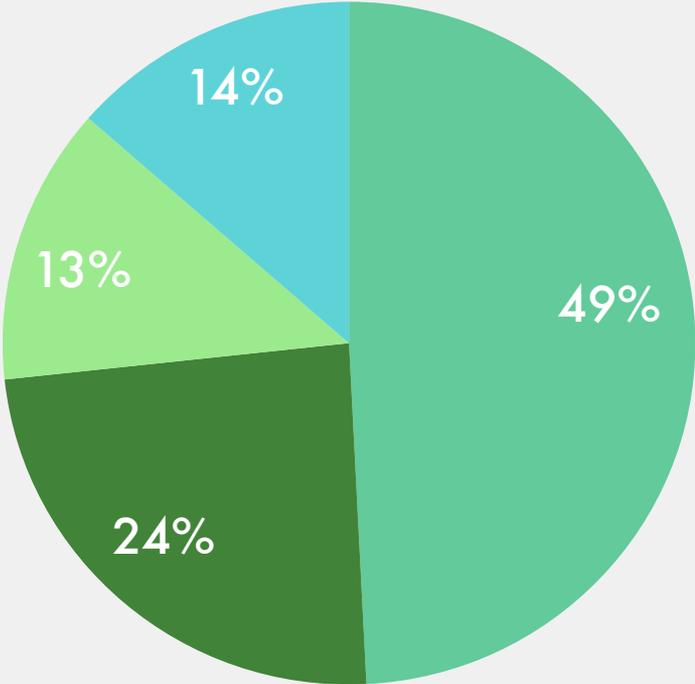JOB FUNCTION

- MARKETING — 20%
- CUSTOMER SUCCESS / ACCOUNT MGMT — 27%
- SALES — 15%
- CUSTOMER SUPPORT — 6%
- PRODUCTS — 9%
- OPERATIONS — 10%
- OTHER — 13%

JOB TITLE

- C-LEVEL — 24%
- VP — 22%
- DIRECTOR — 18%
- MANAGER — 26%
- OTHER — 10%

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CUSTOMER SUCCESS TEAM

- 1-5 PERSON TEAM
- 6-20 PERSON TEAM
- >21 PERSON TEAM
- NO TEAM

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REVENUE DISTRIBUTION

Bar chart titled "REVENUE DISTRIBUTION" with y-axis labeled "NUMBER OF COMPANIES" (0 to 200) and x-axis labeled "ANNUAL REVENUE":
- <$1M: 93
- $1-10M: 190
- $10-50M: 112
- $50-100M: 39
- >$100M: 50

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Total does not add up to 502 (18 respondents did not complete this question)

ANNUAL REVENUE GROWTH

NUMBER OF COMPANIES

0-10%	10-25%	25-50%	50-75%	75-100%	>100%
91	105	108	58	37	103

All Respondents (502)

NUMBER OF COMPANIES

0-10%	10-25%	25-50%	50-75%	75-100%	>100%
66	87	94	42	31	71
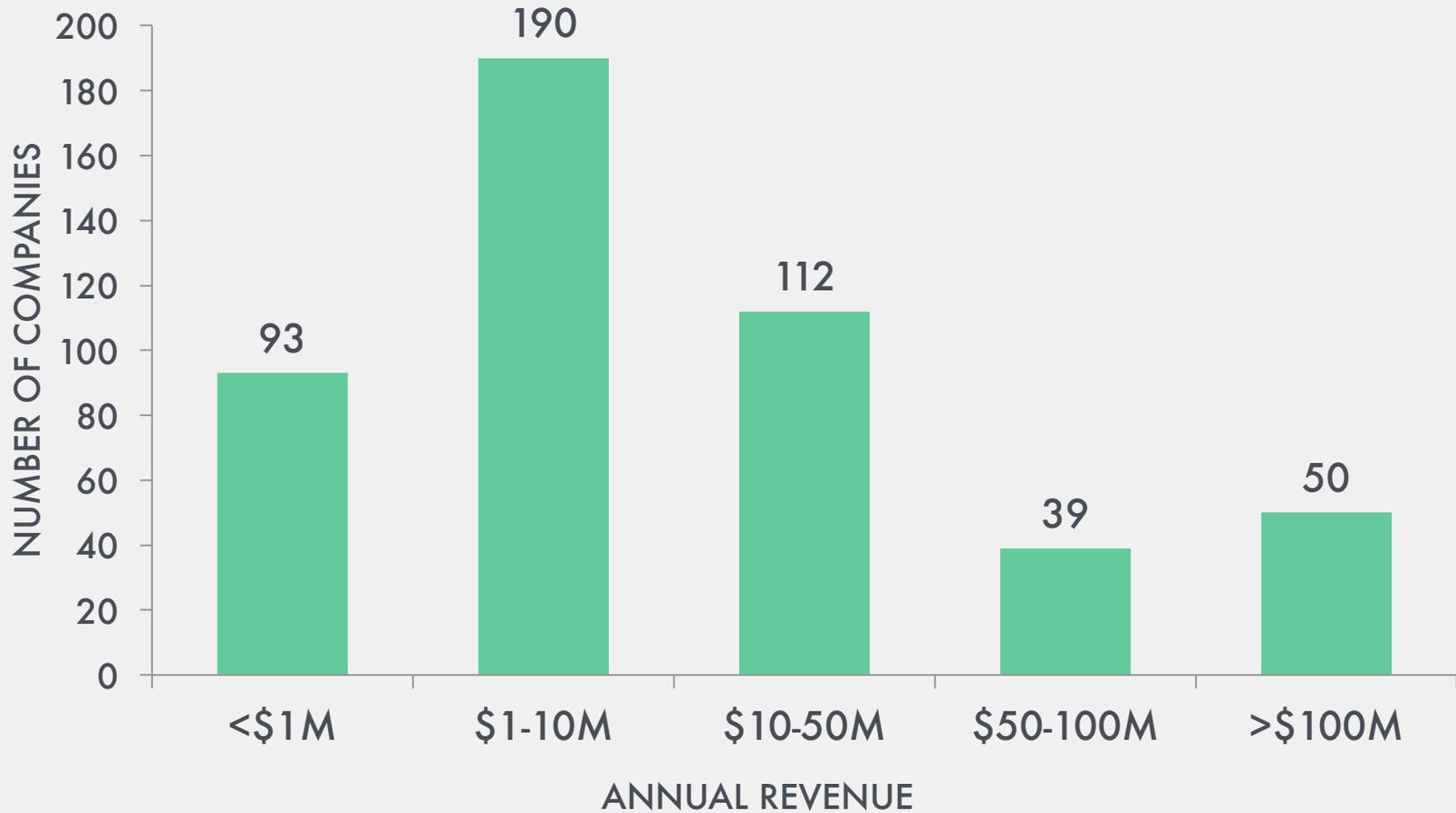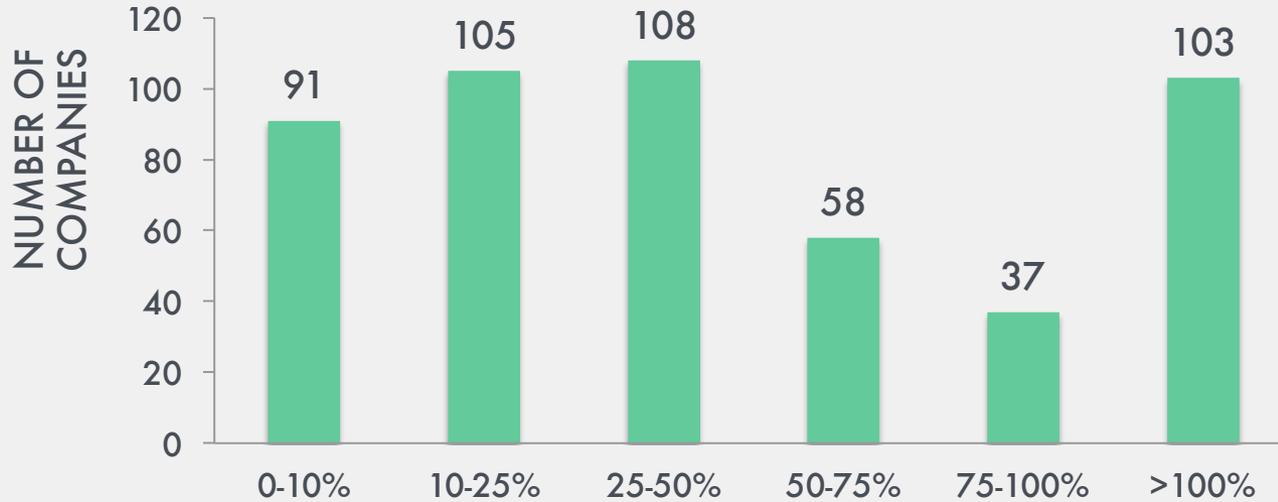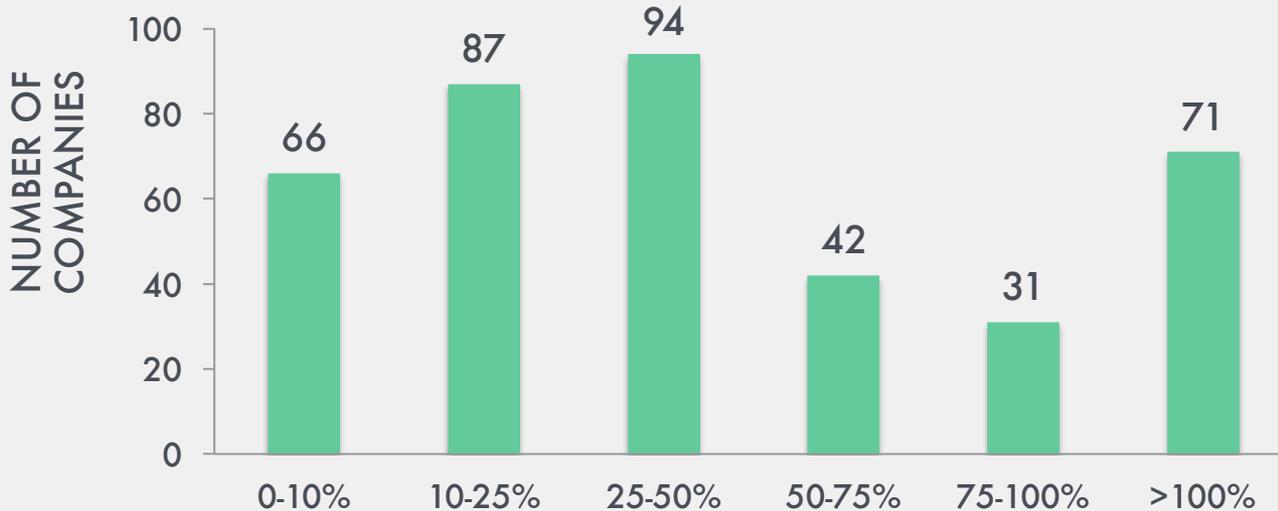
Excluding companies <$1M in revenue (391)

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EXECUTIVE SUMMARY

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SaaS metrics shifting focus toward existing customers

This year more companies than ever are looking at metrics on existing customers such as customer lifetime value, revenue per user, product adoption, and customer health.

Companies still place priority on new customer acquisition

Despite a shift in the metrics companies are tracking, priority and funding for customer renewals and upsell has not increased. This suggests that despite best intentions to focus on monetizing existing customers, day-to-day business realities make it difficult for companies to shift priority and funding.
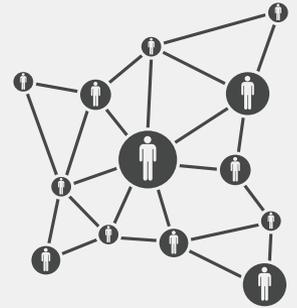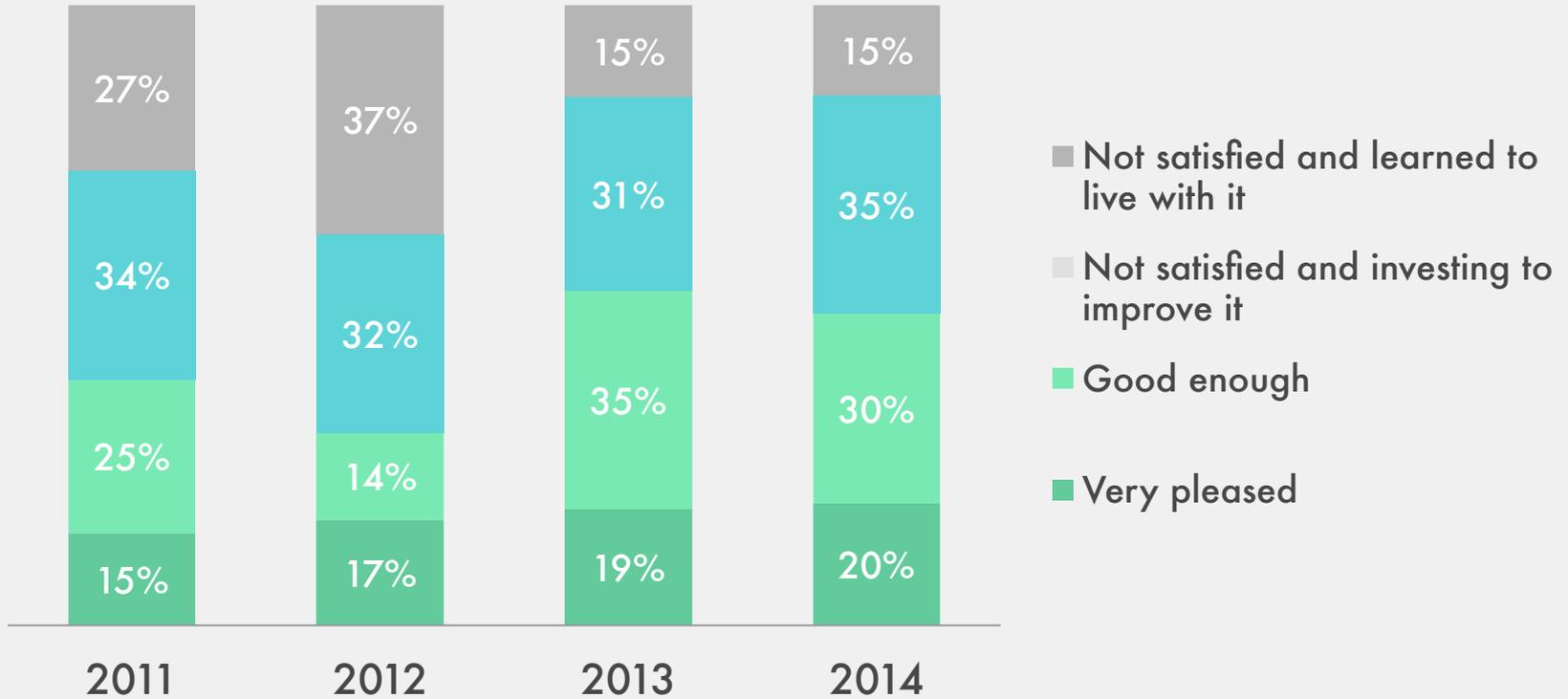
Increased retention and upsell leads to faster growth

Companies that are doing a good job of controlling churn and driving new revenue from existing customers are on the whole growing substantially faster than their peers.
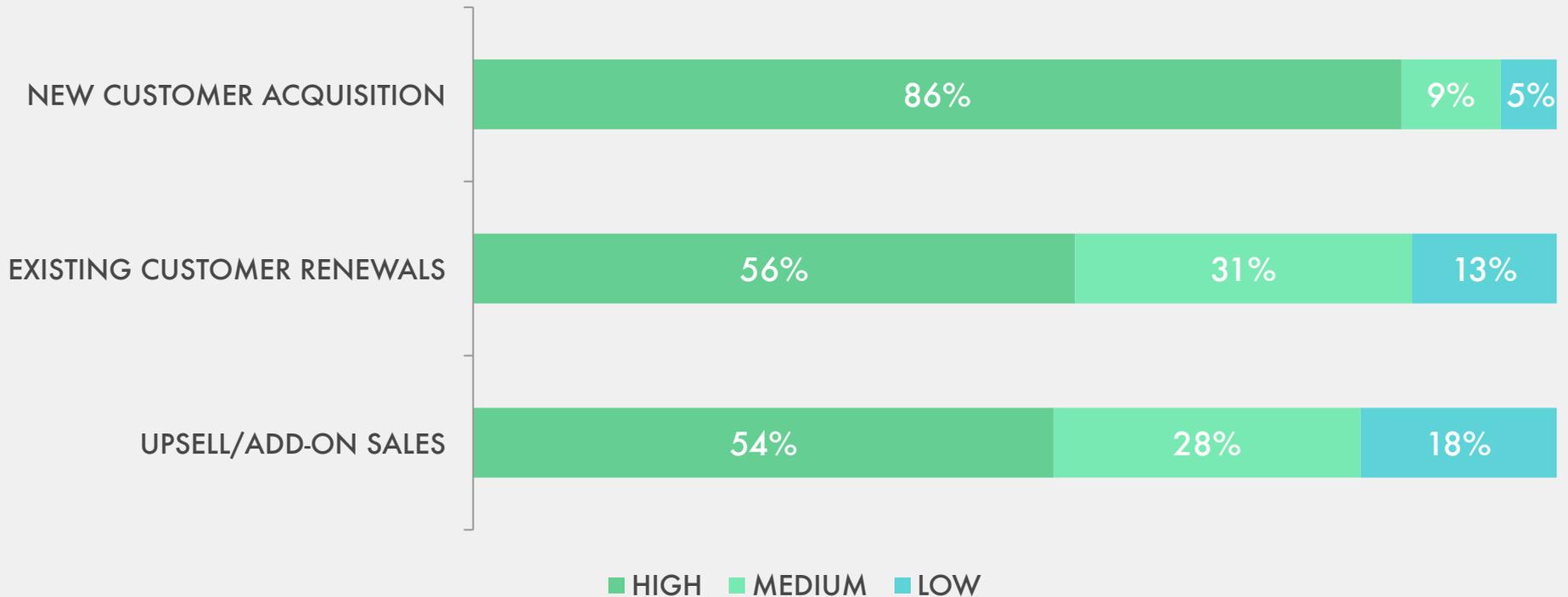
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SURVEY RESULTS & ANALYSIS

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SATISFACTION WITH SAAS METRICS

2011
- 27%
- 34%
- 25%
- 15%

2012
- 37%
- 32%
- 14%
- 17%

2013
- 15%
- 31%
- 35%
- 19%

2014
- 15%
- 35%
- 30%
- 20%

Legend:
- Not satisfied and learned to live with it
- Not satisfied and investing to improve it
- Good enough
- Very pleased

STATE OF SAAS METRICS: After a marked increase in executive satisfaction with SaaS metrics last year, there was a slight drop-off this year. 50% of respondents are still not satisfied with the state of business metrics in their companies, indicating that much work still needs to be done in this area.
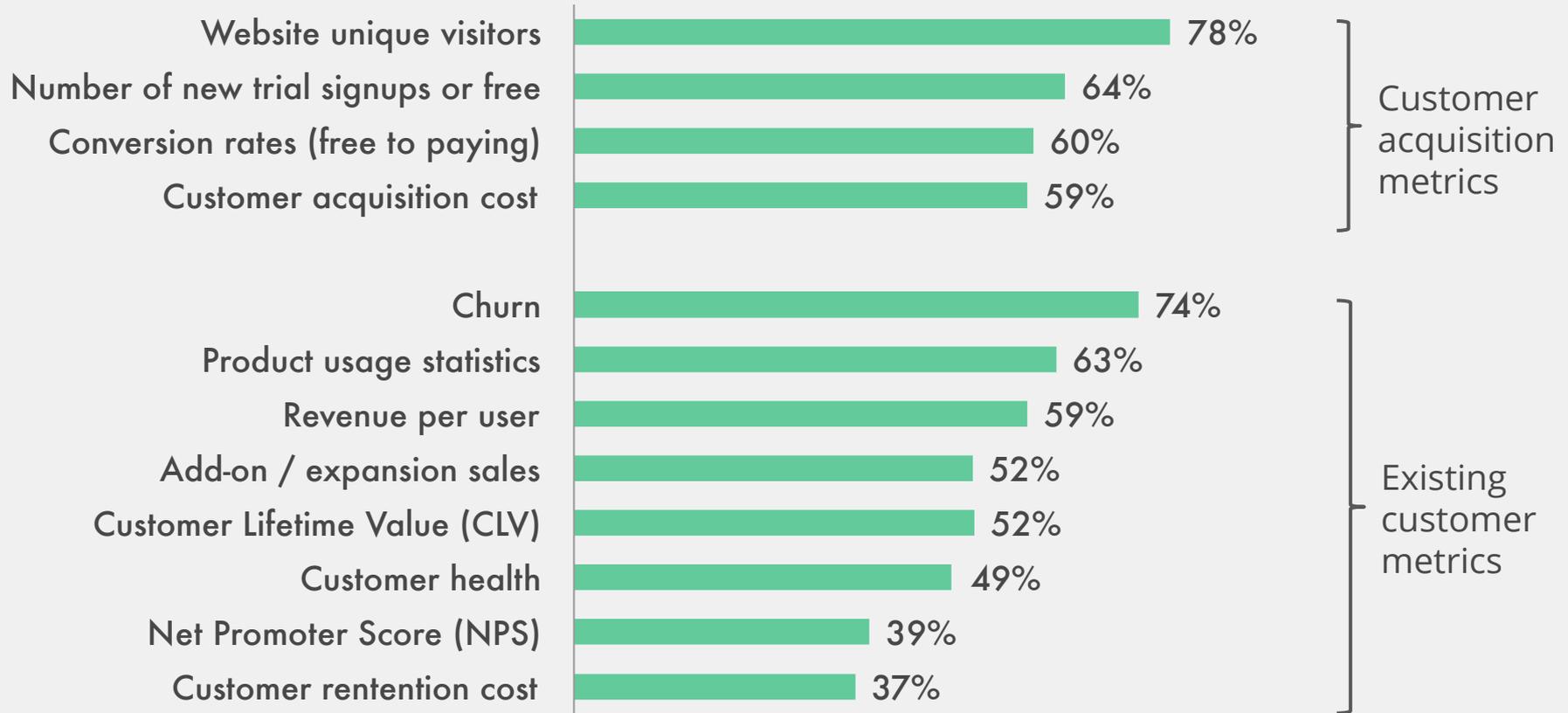
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LEVEL OF EXECUTIVE PRIORITY AND FUNDING FOR...

	HIGH	MEDIUM	LOW
NEW CUSTOMER ACQUISITION	86%	9%	5%
EXISTING CUSTOMER RENEWALS	56%	31%	13%
UPSELL/ADD-ON SALES	54%	28%	18%

■ HIGH ■ MEDIUM ■ LOW

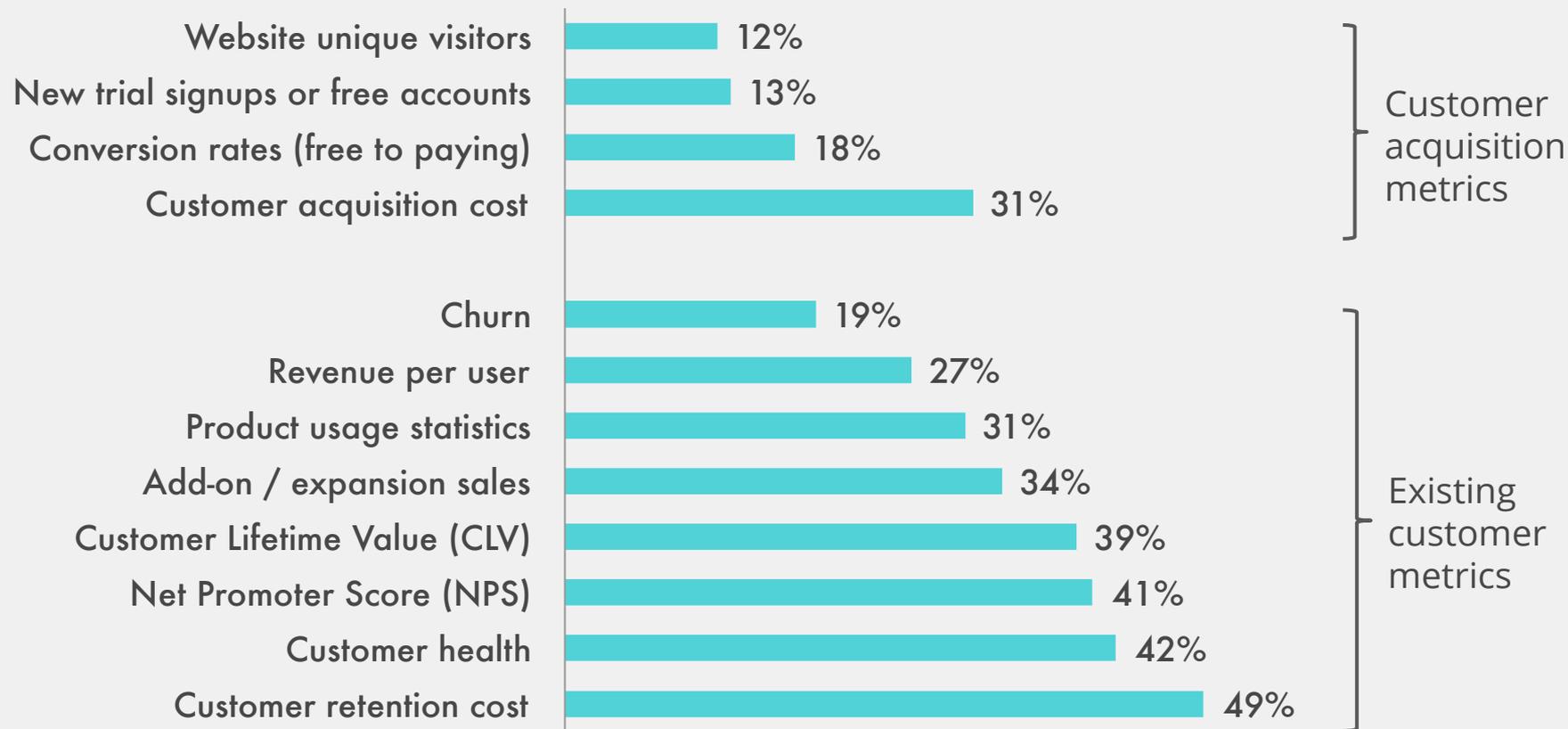**EXECUTIVE FOCUS ON NEW CUSTOMERS VS. EXISTING CUSTOMERS:**
SaaS companies continue to place a heavier focus on acquiring new customers compared to managing revenue from existing customers. Despite the broader awareness of this topic, priority and funding for renewals and upsells has effectively remained steady over last year.

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WHICH METRICS DO YOU TRACK?

Metric	Value
Website unique visitors	78%
Number of new trial signups or free	64%
Conversion rates (free to paying)	60%
Customer acquisition cost	59%

Customer acquisition metrics

| Metric	Value
Churn	74%
Product usage statistics	63%
Revenue per user	59%
Add-on / expansion sales	52%
Customer Lifetime Value (CLV)	52%
Customer health	49%
Net Promoter Score (NPS)	39%
Customer rentention cost	37%

Existing customer metrics

The stronger focus on customer acquisition continues to be reflected in the metrics SaaS companies track. There is still higher prevalence of customer acquisition metrics vs. existing customer metrics, but the gap is smaller compared to past years.

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WHICH METRICS DO YOU PLAN TO TRACK?

Customer acquisition metrics

- Website unique visitors — 12%
- New trial signups or free accounts — 13%
- Conversion rates (free to paying) — 18%
- Customer acquisition cost — 31%

Existing customer metrics

- Churn — 19%
- Revenue per user — 27%
- Product usage statistics — 31%
- Add-on / expansion sales — 34%
- Customer Lifetime Value (CLV) — 39%
- Net Promoter Score (NPS) — 41%
- Customer health — 42%
- Customer retention cost — 49%

The stronger focus on customer acquisition continues to be reflected in the metrics SaaS companies track. There is still higher prevalence of customer acquisition metrics vs. existing customer metrics, but the gap is smaller compared to past years.

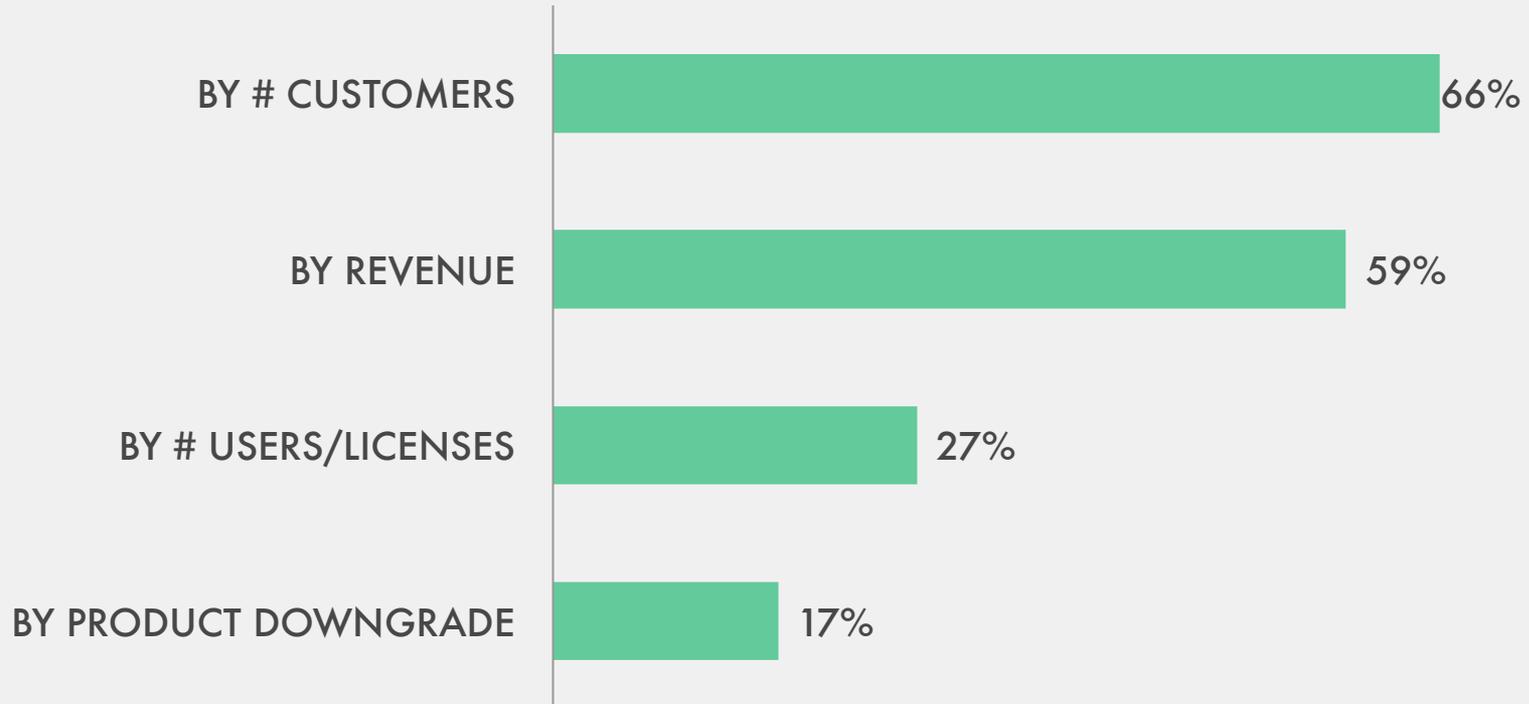**TOTANGO**

RETENTION COST VS. ACQUISITION COST
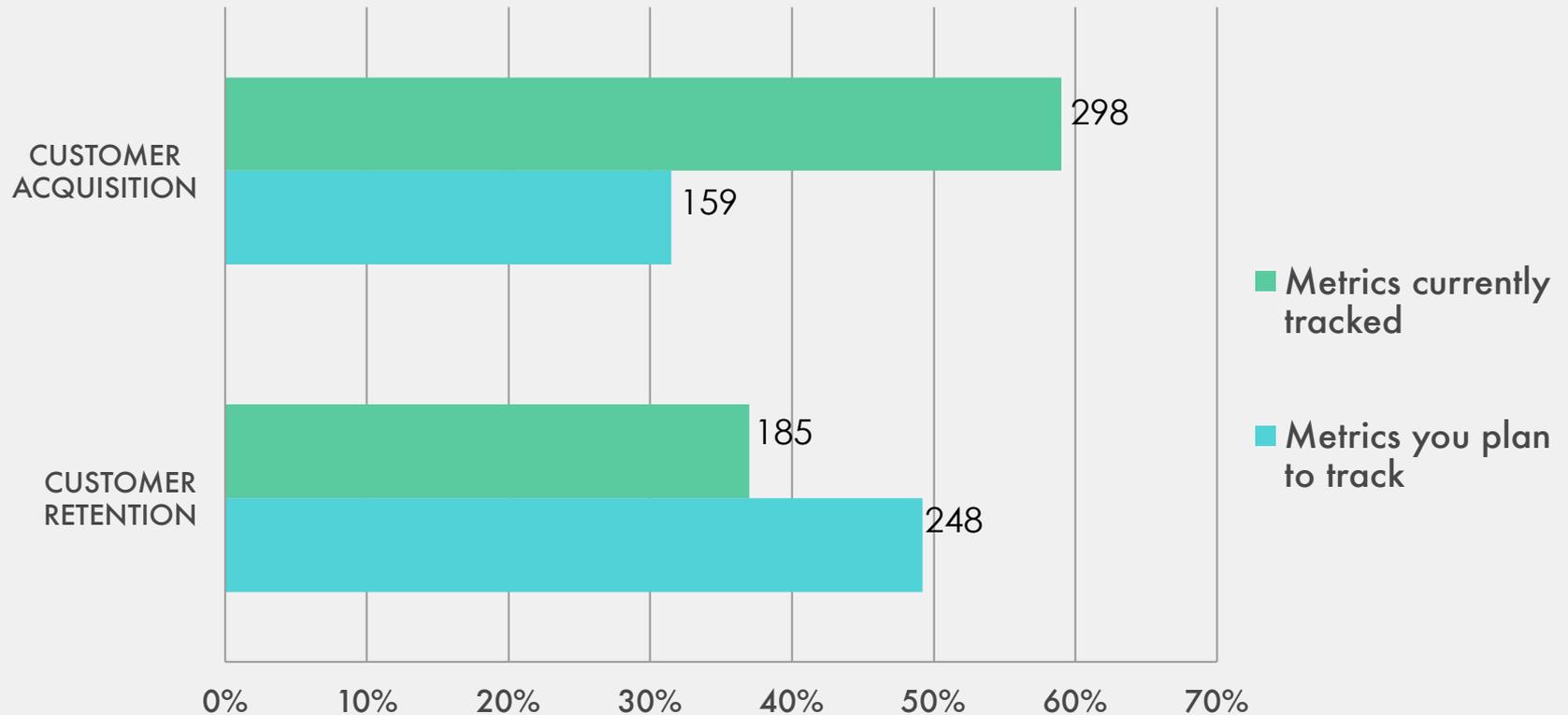
CUSTOMER ACQUISITION AND RETENTION COSTS: Significantly more companies measure and track their customer acquisition cost (298) compared to their customer retention cost (185). However, 49% of those currently not tracking customer retention cost plan to do more work in this area indicating a need to measure and optimize retention.

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WHAT PERCENTAGE OF NEW BUSINESS COMES FROM FREE TRIALS AND FREEMIUM?

- 0-10%
- 10-25%
- 26-50%
- >50%
- NO FREE TRIAL/ FREEMIUM

14%
17%
11%
21%
37%
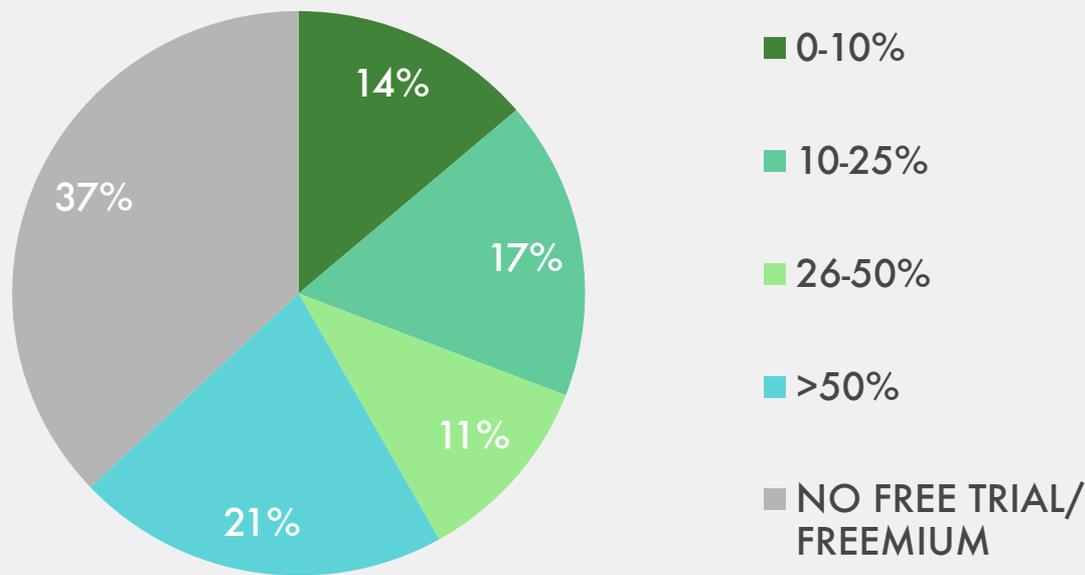
FREE TRIALS AND FREEMIUM: Over the last 4 years, there has been a drop in the percentage of companies depending on free trials or freemium offerings to acquire new business. Of the companies that have these programs, more than half derive >25% of their new business through trial and freemium conversions.

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HOW DO YOU MEASURE CHURN?

BY # CUSTOMERS	66%
BY REVENUE	59%
BY # USERS/LICENSES	27%
BY PRODUCT DOWNGRADE	17%

CHURN: The majority of SaaS companies still measure churn by the number of customers lost. The percentage of companies measuring churn by revenue lost has increased over last year. However, only a few companies look at churn at a more granular level by number of licenses reduced or product downgrades.
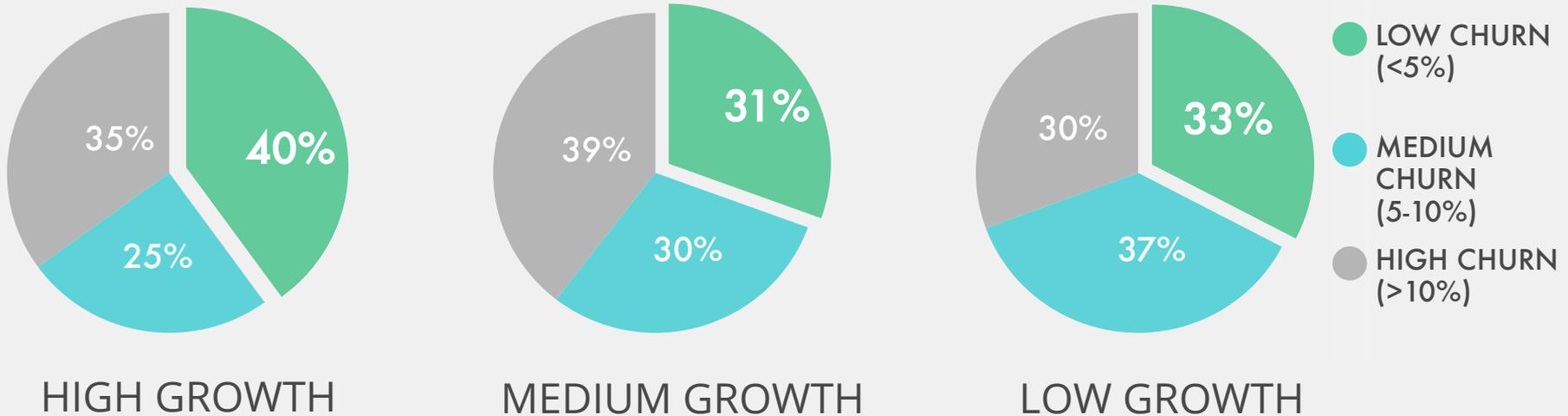
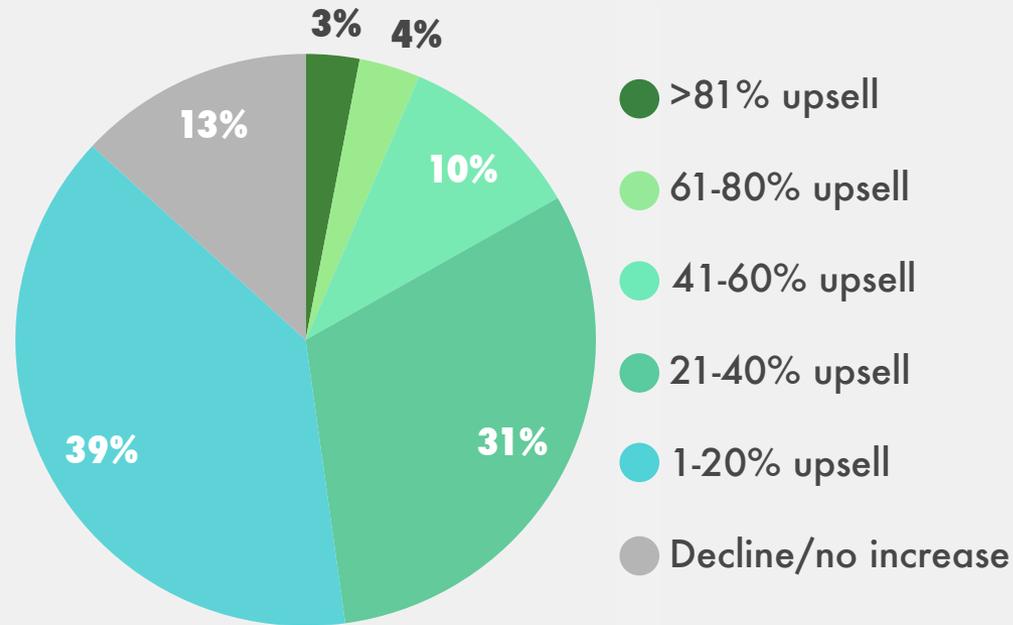**TOTANGO**

ANNUALIZED REVENUE CHURN
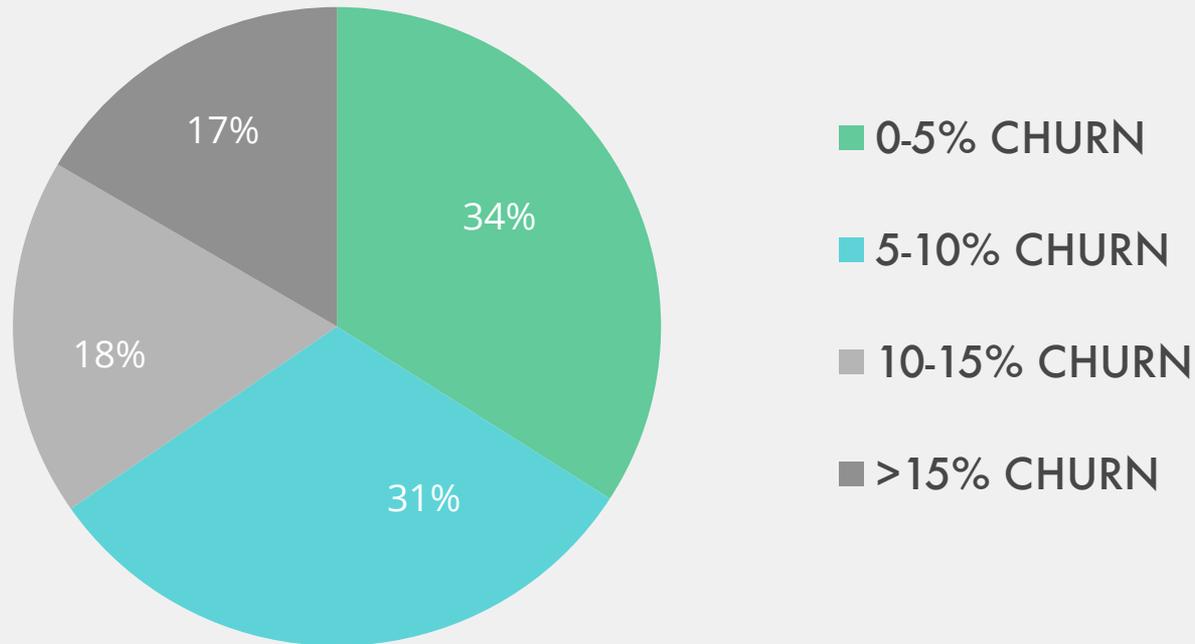
Churn levels are marginally higher than last year. 25% of the companies have high churn (>10%) and 31% have medium churn (5-10%). Only about one-third of companies have low churn (<5%). This indicates that there remains significant potential for SaaS companies to grow revenue by impacting customer retention.

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CHURN BY GROWTH OF COMPANIES

HIGH GROWTH
- 40%
- 25%
- 35%

MEDIUM GROWTH
- 31%
- 30%
- 39%

LOW GROWTH
- 33%
- 37%
- 30%

LOW CHURN (<5%)

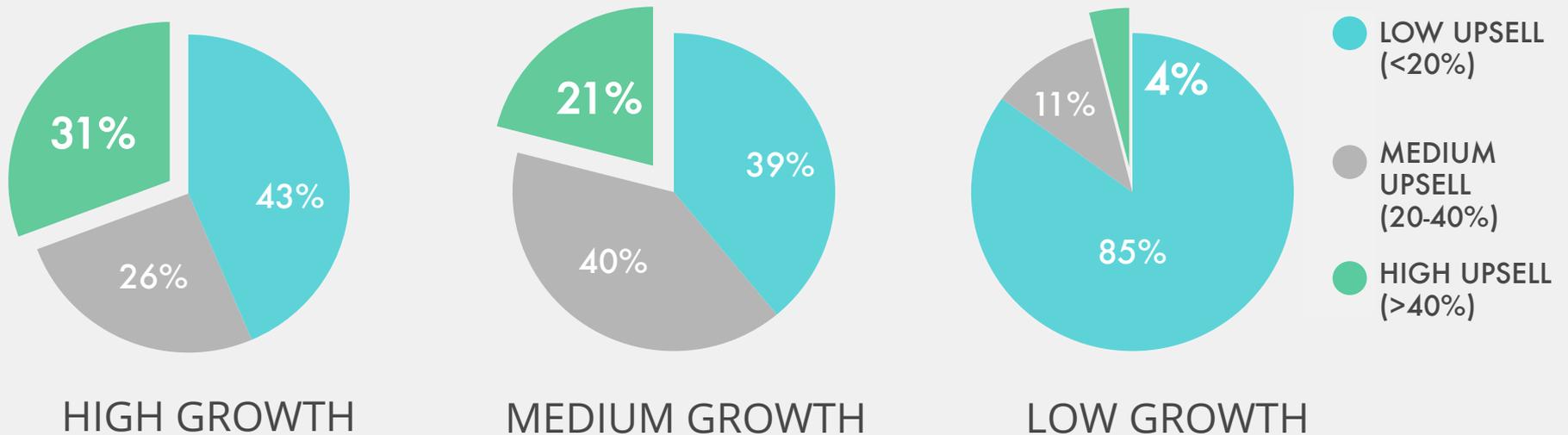**MEDIUM CHURN (5-10%)**

HIGH CHURN (>10%)

When grouping respondents based on growth, there is a clear indication that the fastest growing companies (>75% YoY revenue growth) have the lowest churn. This underscores the impact that churn has on the overall growth rates of SaaS companies and the importance of retaining existing customers to build a healthy SaaS business.

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YEAR-OVER-YEAR REVENUE INCREASE FROM EXISTING CUSTOMERS

- 3%
- 4%
- 13%
- 10%
- 39%
- 31%

Legend:
- >81% upsell
- 61-80% upsell
- 41-60% upsell
- 21-40% upsell
- 1-20% upsell
- Decline/no increase

UPSELL AND ADD-ON SALES: Selling to existing customers is a big growth opportunity for SaaS companies. Only 17% of companies derive a significant amount of new sales from existing customers. For the vast majority (52%), upsell and add-on sales is not a big source of revenue yet.

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UPSELL AND ADD-ON SALES BY GROWTH OF COMPANIES

HIGH GROWTH
- 31%
- 26%
- 43%

MEDIUM GROWTH
- 21%
- 40%
- 39%

LOW GROWTH
- 4%
- 11%
- 85%

Legend:
- LOW UPSELL (<20%)
- MEDIUM UPSELL (20-40%)
- HIGH UPSELL (>40%)

When grouping respondents based on growth, there is a clear indication that the fastest growing companies (>75% YoY revenue growth) do a better job on upsell and add-on sales to existing customers as a source of revenue growth.

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