A forENTREPRENEURS Infographic
FROM DAVID SKOK

matrix PARTNERS

THE 2015 PACIFIC CREST SaaS SURVEY

SaaS by the Numbers

For the fourth year in a row, we're delighted to partner with **Pacific Crest Securities** to present the deepest set of SaaS growth and operations data to date. By benchmarking core metrics, we hope to empower SaaS companies to better manage their growth. A big thanks to all the forEntrepreneurs readers who participated!

To see full survey results and my insights, visit www.forentrepreneurs.com/2015-survey

Cheers,
David Skok

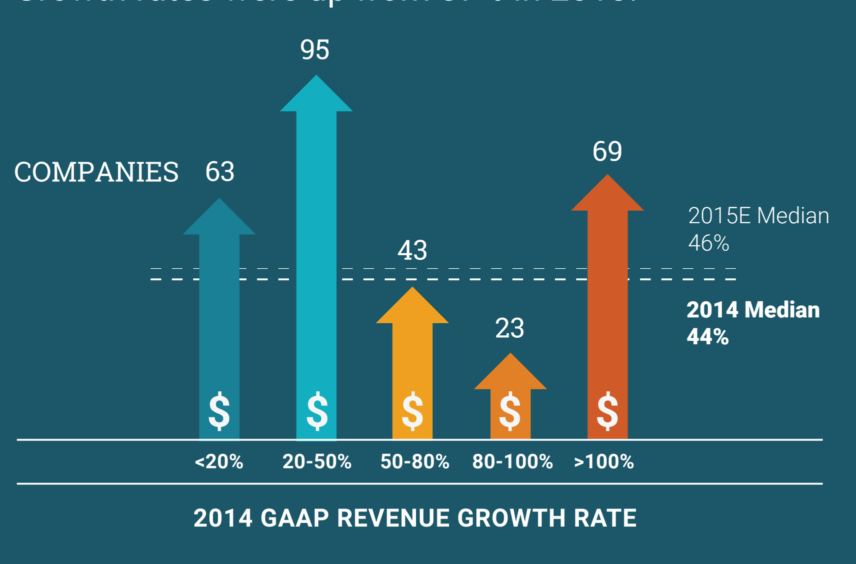
GROW MORE

What Drives Growth?

Companies spending more on sales & marketing, as well as those showing success with a "land-and-expand strategy" (i.e., upsells) are growing faster than their peers.

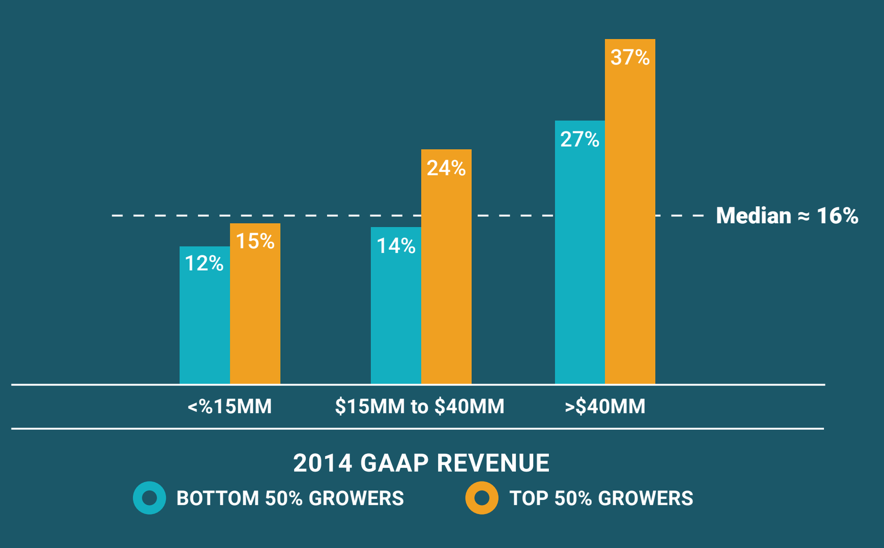
HOW FAST DID YOU GROW GAAP REVENUES IN 2014?

Growth rates were up from 37% in 2013.



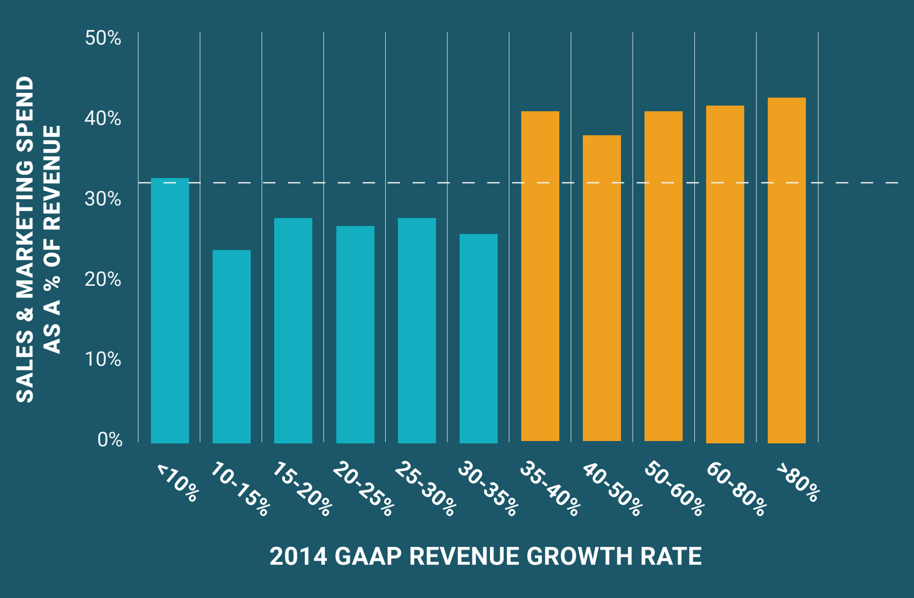
LEVERAGING UPSELLS FOR FASTER GROWTH

Faster growing companies have a higher % of new ACV from upsells than slower growing companies.



SALES & MARKETING SPEND VS. GROWTH RATE

Those growing more than 35% are spending significantly more on sales & marketing – an optimal strategy for those with a decent payback period supported by their available capital.

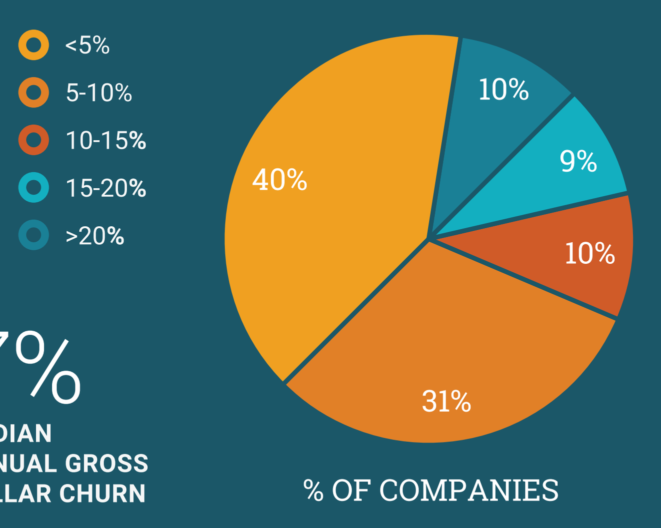


32%
MEDIAN SALES & MARKETING SPEND
As a % of Revenue

By comparison, at $100MM revenue run rate, public SaaS companies spent a median of 44% on sales & marketing.

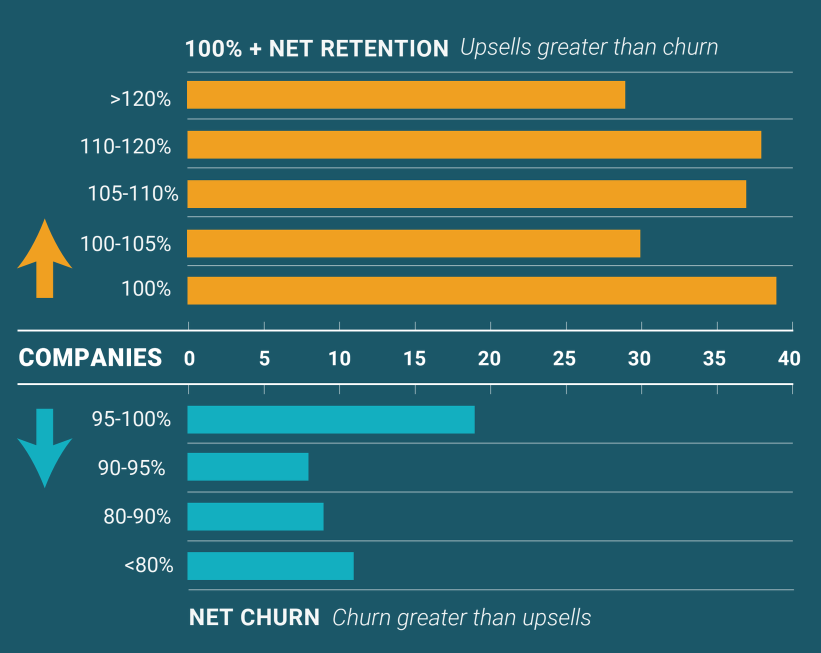
As companies scale, low churn and high net dollar retention are critical to delivering growth with long-term profits.

ANNUAL GROSS DOLLAR CHURN



7%
MEDIAN ANNUAL GROSS DOLLAR CHURN

ANNUAL NET DOLLAR RETENTION FROM EXISTING CUSTOMERS



104% **MEDIAN ANNUAL NET DOLLAR RETENTION** From Existing Customers

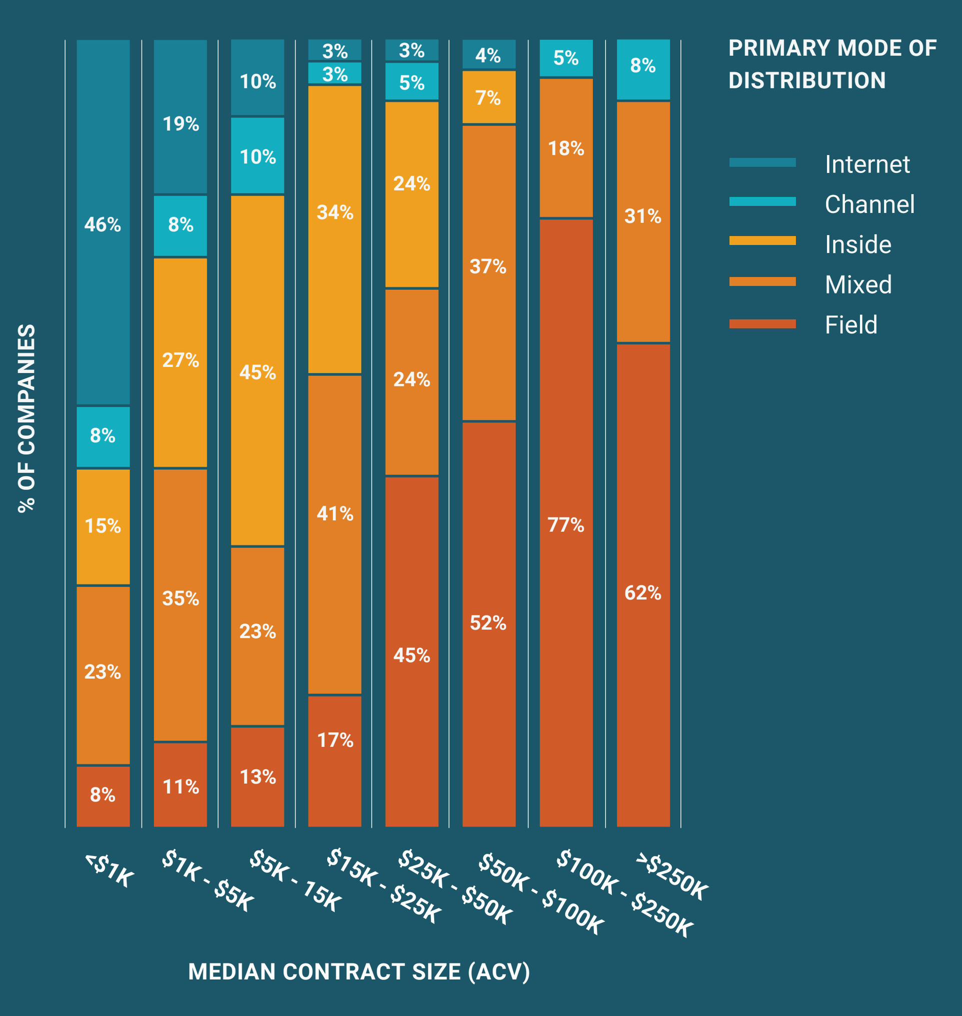
SELL MORE

Go-to-Market: What's the Best Distribution Strategy?

Field sales is still the most common approach, driven by large contract sales. Smaller contract sales rely on the internet and inside sales but there is no clear strategy for companies selling in the middle.

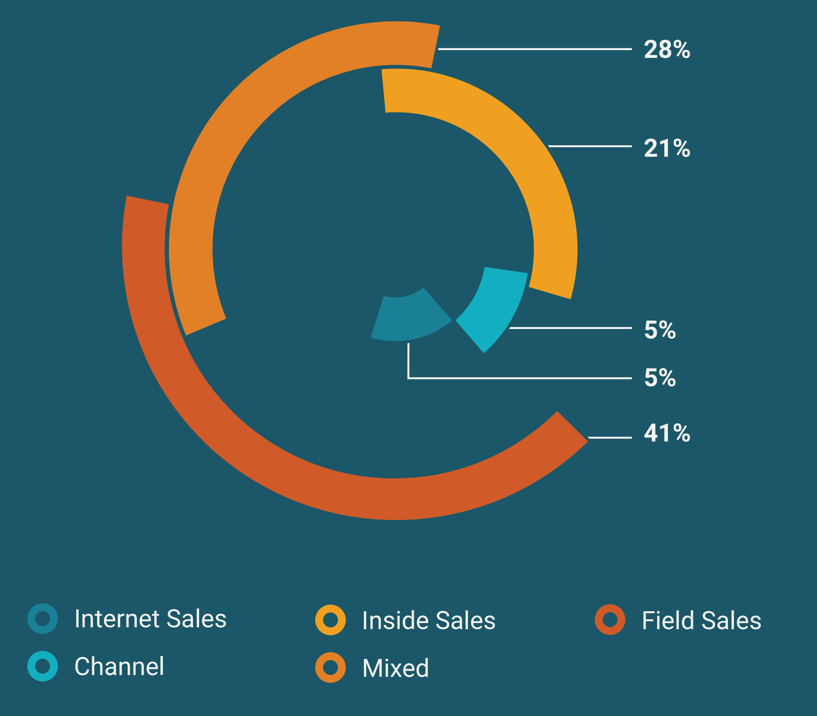
GO-TO-MARKET BY CONTRACT SIZE

How do SaaS Companies Determine Which Go-to-Market Strategy to Execute?



PRIMARY MODE OF DISTRIBUTION: ALL COMPANIES

Field Sales still dominates.



DISTRIBUTION STRATEGY

Analysis of Field vs. Inside Sales in Key Crossover Deal Size Tiers

$15K-$50K MEDIAN CONTRACT SIZE

	Field-Dominated	Inside-Dominated
Revenue	$20MM ✓	$11MM
Revenue per FTE	$117K	$131K ✓
Growth Rate	28%	29%
Annual Gross Dollar Churn	7% ✓	12%
Net Dollar Retention Rate	106%	115% ✓
Customer Aquisition Cost (CAC)	$1.09	$1.04 ✓

Field Sales have...
- Higher revenue
- Lower churn

But ...
- Are less efficient
- Have lower propensity to upsell and expand

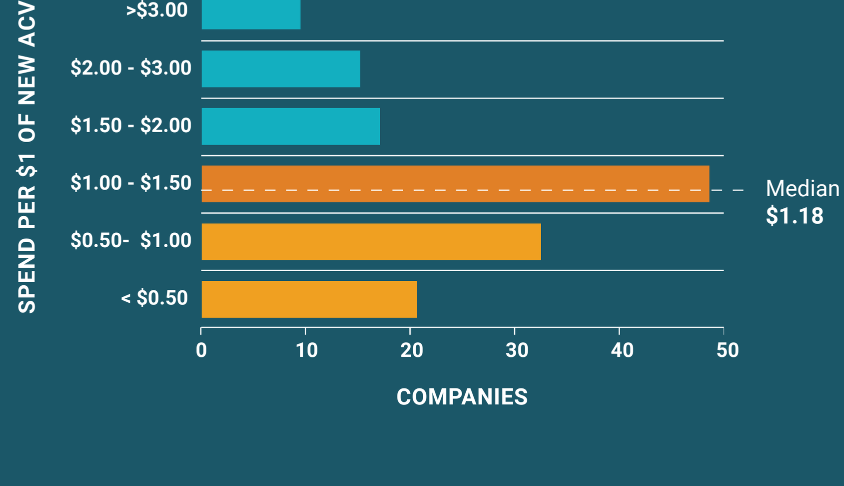
INVEST MORE

How Much Does It Cost to Acquire New Customers?

CAC, or customer acquisition cost, is a critical benchmark for any SaaS company.

CAC: SPEND TO ACQUIRE $1 OF NEW ACV

The cost of adding new revenue from existing customers is a small fraction - 24% - of the cost to add revenue from a new customer.

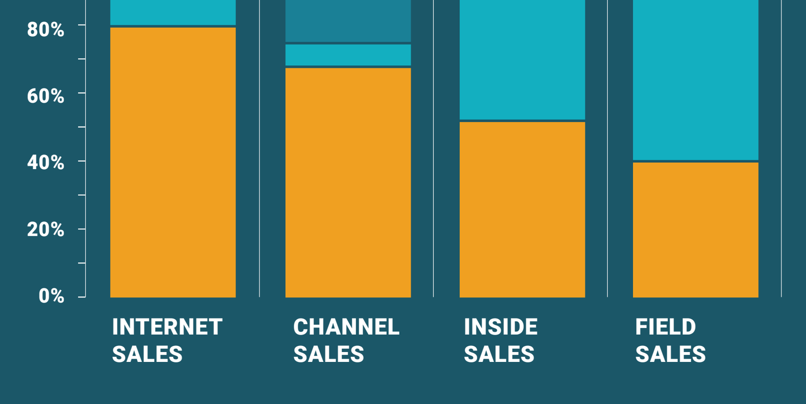


MEDIAN CAC SPEND

$1.18	$0.28	$0.13
ACQUIRE $1 of New Customer ACV	**UPSELL** Exisiting Customers	**RENEWALS** Exisiting Customers

CAC SPEND BY PRIMARY MODE OF DISTRIBUTION

CAC varies significantly, even among companies using a similar distribution strategy.



MEDIAN CAC SPEND
Per primary mode of distribution

$0.42	$0.66	$0.90	$1.14
INTERNET SALES	CHANNEL SALES	INSIDE SALES	FIELD SALES

CAC PAYBACK PERIOD (GROSS MARGIN BASIS)

Respondents showed a median CAC payback of 12 months, but this was highly variable.

% OF COMPANIES	31%	30%	20%	11%	8%
PAYBACK PERIOD	<6 MOS	7 -12 MOS	13-18 MOS	19-24 MOS	2-3 YEARS

DEFINITIONS

CAC
Cost to acquire $1 of new annual contract value. Includes the fully-loaded amount spent on Sales and Marketing for the win.

ACV
Annual Contract Value of a subscription agreement.

Payback
Months of subscriptions gross profit to recover fully loaded cost to acquire.

DRR
Net dollar retention rate is the change in annual contract value from existing customers subtracting churned ACV but adding in renewal and upsell ACV.

matrix PARTNERS

Pacific Crest SECURITIES
Technology Specialists of KeyBanc Capital Markets