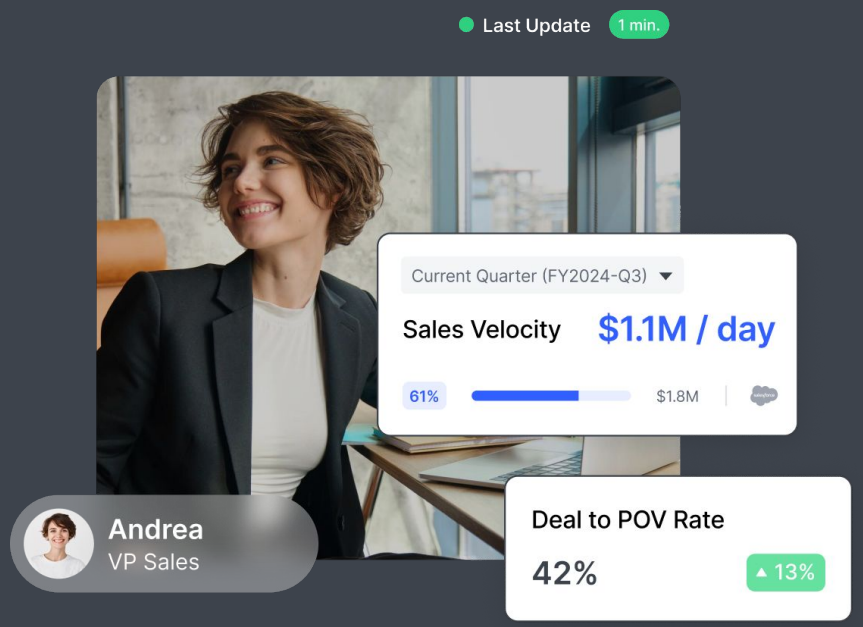
Sightfull.

→ Your guide to good metrics

The Top Ten Metrics SaaS Companies Need to Track



How tracking the top SaaS metrics helps drive efficient revenue growth.

SaaS businesses face unique challenges and opportunities when it comes to data. On the one hand, SaaS teams enjoy a wealth of data and recognize the need to use it. On the other, moving fast in new directions means constant change and lack of best practices, which makes finding the time and best methods to put data to work is challenging.

The key is metrics. Knowing which metrics to track, what questions they answer and what to do with the insights they offer in order to drive growth.

In this eBook, we'll explore some of the most important metrics for data-driven growth, so you know:
→ Is my current go-to-market plan financially viable?
→ What's working well, and where is there room for improvement?
→ What are the main business priorities I should be focusing on?

Accurately calculating, tracking and reporting on your metrics is key for SaaS growth and efficiency. Aligning your organization on these metrics is essential for driving ownership and impact-on-revenue in every team.

→ ARR Waterfall

Bookings

Average Sales Cycle

Opportunity Win Rate

Sales Pipeline Waterfall

Pipeline Conversion Rate

Quota Attainment

Sales Funnel

Lead Funnel

Net Dollar Retention Rate

ARR Waterfall

What is ARR Waterfall?

The Annual Recurring Revenue (ARR) metric represents the annualized value of the recurring revenue from active accounts in each period. The amount of ARR is based on the closed-won opportunities related to each customer account. This can be broken down into the different types of ARR in each period, including New Logo ARR, Expansion ARR, Contraction ARR, Churn ARR and ARR at the Start of Period.

Why is it important to measure our ARR Waterfall?

ARR is perhaps the most important metric for any SaaS business. ARR Waterfall provides a direct view of the development of revenue across different time periods. This metric is a must-have for any executive dashboard and general business report, as well as a great starting point for deep dive investigations of business performance trends.

How is ARR Waterfall calculated?

The ARR Waterfall metric is calculated by summing the annualized amount of recurring revenue attributed to the active accounts in each period. This sum excludes non-recurring amounts such as hardware or one-off onboarding costs.

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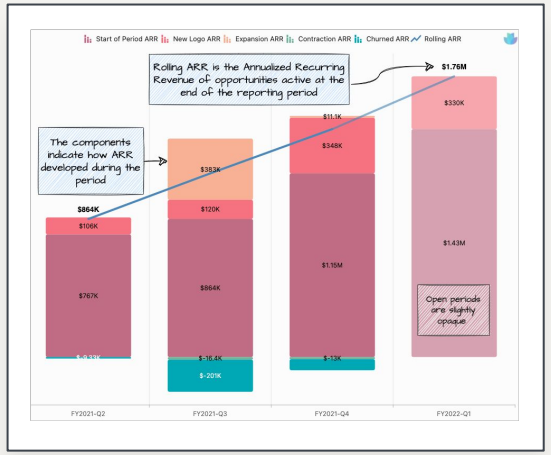
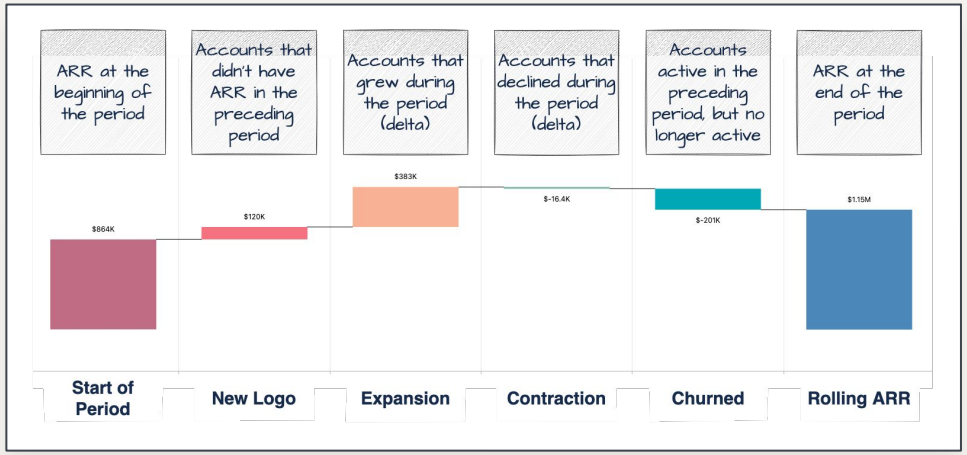
ARR Waterfall

The metric indicates how ARR developed during the period by categorizing ARR into different components based on their source:

- **Start of Period** indicates the ARR at the beginning of the period.
- **New Logo** sums the ARR from accounts that did not have ARR in the preceding period. Note that this component looks at the immediately preceding period only; accounts may have had ARR in earlier periods.
- **Expansion** sums the ARR from accounts that grew compared to the preceding period. This component presents the delta between the preceding and current periods.
- **Contraction** sums the ARR from accounts that declined compared to the preceding period. This component presents the delta between the preceding and current periods.
- **Churned** sums the ARR from accounts that were active in the preceding period, but have no ARR in the current period.





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Bookings

What are Bookings?

Bookings represent the total value of opportunities which were successfully closed-won during a specific period. Basically, they are the value of additional revenue which can come from New Business (NB) or from Renewal and Expansion opportunities.

Bookings can be measured according to the number of won deals (Count), the amount of Total Contract Value (TCV) or the amount of Annual Recurring Revenue (ARR) of these opportunities.

Why are Bookings important to measure?

Increasing revenues is perhaps the most important goal for any business. SaaS businesses must be especially aware of the amount and the source of their revenues, ARR in particular. Bookings are the simple answer to the question “how much revenue is the company successfully generating?”

It is critical to monitor this metric in order to understand the topline results that the company is achieving and to react accordingly. Using different filters and breakdowns makes it easier to identify the types and amount of revenue generated per region, segment or product, and act to remedy any deficiencies and leverage strong performance.

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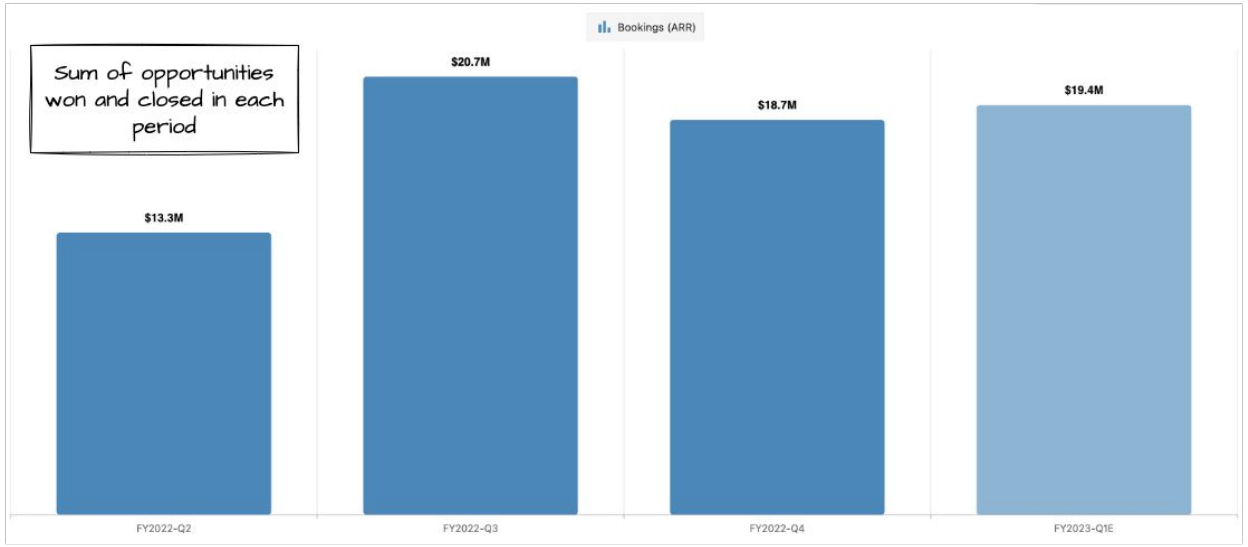
Bookings

How are Bookings calculated?

Bookings are as simple to calculate as they are important to measure. The total value of Bookings is produced by summing the amount of all opportunities that were closed-won in the period.

An advanced version of this metric, Bookings Progression, provides a cumulative sum of Bookings value for each fiscal week in the quarter. The result is a sum that gradually increases, with the metric value representing the amount of Bookings attained in the quarter so far up to the end of each fiscal week.



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Average Sales Cycle

What is Average Sales Cycle Length?

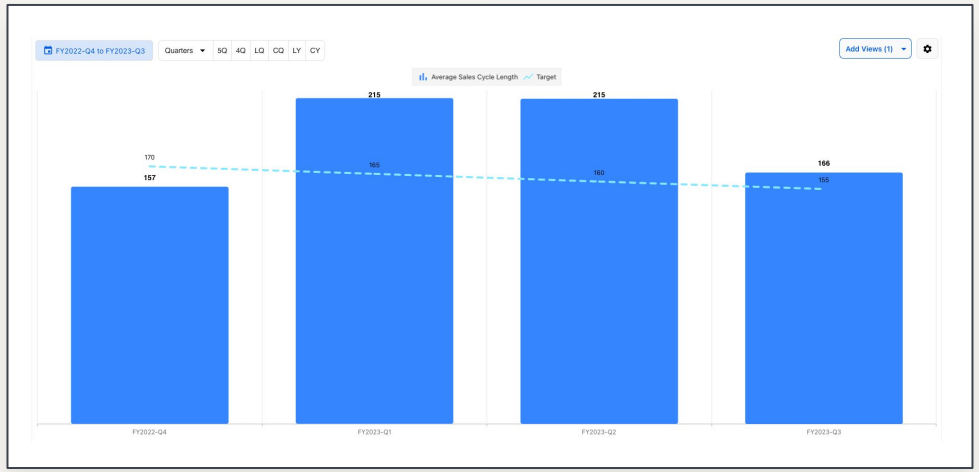
The full sales cycle covers the entire process of managing the sales opportunity from when it was open to when it was closed. The Average Sales Cycle Length metric measures the average number of days that opportunities were in active development before they were closed. For each time period, this metric presents the average cycle length of opportunities that were closed during that period.

Why is Average Sales Cycle Length important to measure?

Speed is a key factor in a successful and efficient sales pipeline. Sales leaders should aim to minimize the average length of the sales cycle in order to increase the efficiency of their teams. In addition, a shorter sales cycle is often linked to improved pipeline conversion and opportunity win rates.

How is Average Sales Cycle Length calculated?

For each period, the Average Sales Cycle Length is calculated by dividing the total sales cycle duration of all the opportunities that closed in that period by the total count of these opportunities.



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Opportunity Win Rate

What is Opportunity Win Rate?

Opportunity Win Rate is one of the most widely-used and well-known business metrics. Essentially, the Opportunity Win Rate indicates the share of all closed deals which were successfully closed-won.

Why is Opportunity Win Rate important to measure?

Opportunity Win Rate is a key indicator of the company's overall success as a business and more specifically the performance and effectiveness of its revenue engine. This metric can be incredibly useful in evaluating the company's sales performance.

Comparing Win Rates across different products, regions, segments and marketing channels can uncover market opportunities that can be leveraged or bottlenecks that need to be fixed. This metric is used to examine the sales performance of different sales leaders and areas, as well as specific AEs, BDRs and SDRs.

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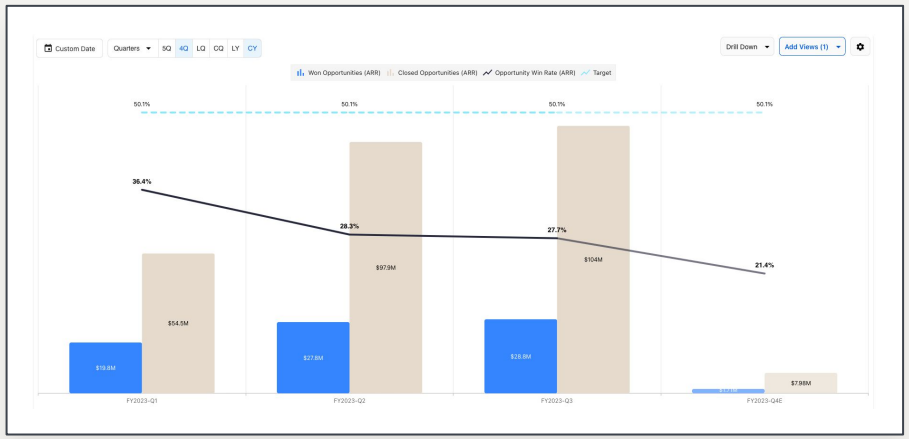
Opportunity Win Rate

How is Opportunity Win Rate calculated?

Opportunity Win Rate is calculated by dividing the amount of successfully closed opportunities by the amount of all closed opportunities within a given period.

$$\text{Opportunity Win-Rate (\%)} = \frac{\text{Closed-Won Opportunities}}{\text{All Closed Opportunities}}$$

Opportunity Win Rate can be calculated as a share of the number of opportunities (Count), their Total Contract Value (TCV) or their associated Annual Recurring Revenue (ARR).



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Sales Pipeline Waterfall

What is the Sales Pipeline Waterfall?

The Sales Pipeline Waterfall metric is a useful visualization of the company's open opportunities and how they develop over time. It provides an overview of how the number of open opportunities increases and decreases in different ways throughout a specific period. Positive inputs represent opportunity amounts that are added to the starting pipeline while negative values indicate opportunities that were removed from the pipeline. The final sum is the amount of pipeline that is still open.

The Period Pipeline Waterfall displays changes in the total amount of starting pipeline with close dates that fall within that period, while the Rolling Pipeline Waterfall shows all open opportunities and their changes regardless of their close date.

Why is the Sales Pipeline Waterfall an important metric?

Tracking the amount of opportunities in the Sales Pipeline and how they develop is critical to managing the company's revenue generation. This metric requires continuous monitoring and optimization because growing, developing and winning pipeline is the company's most fundamental process.

To accomplish this, the Sales Pipeline Waterfall provides a clear view of the total amount and how the pipeline changes over time. This metric is used to ensure the health of the company's revenue engine, monitor performance throughout the period, and be alerted to important changes that may affect each period's final sales results.

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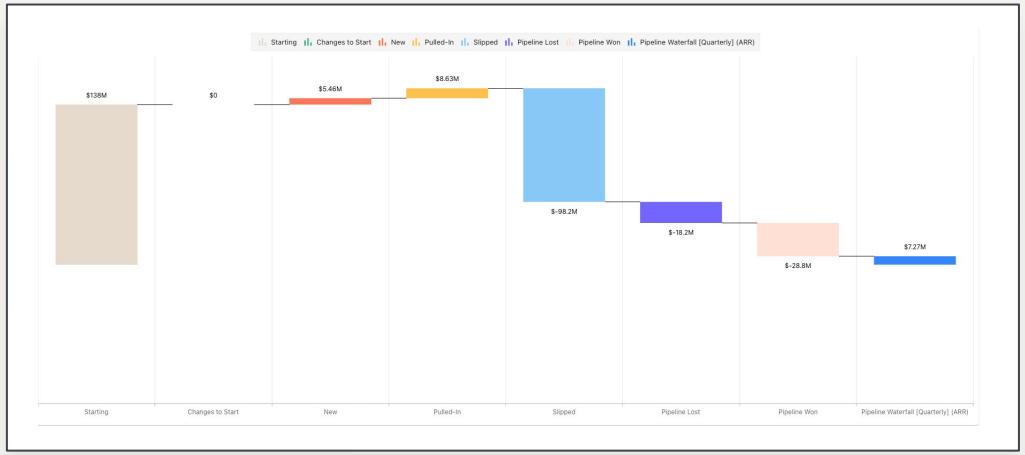
Sales Pipeline Waterfall

How is the Sales Pipeline Waterfall calculated?

The waterfall includes various components that represent different changes that add to (+) or subtract from (-) the pipeline:

- Starting (+) : Opportunities that were in the pipeline at the start of the period.
- New (+) : New opportunities that were added to the pipeline during the period.
- Pulled-in (+) : Opportunities that were expected to close after the end of the quarter but were now expected to close during the quarter.
- Slipped (-) : Opportunities that were expected to close during the quarter but were now expected to close after the quarter is over.
- Pipeline Won (-) : Opportunities that were won during the quarter.
- Pipeline Lost (-) : Opportunities that were lost during the quarter.



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Pipeline Conversion Rate

What is Pipeline Conversion Rate?

Conversion rates in general help us understand what proportion of a starting amount has been successfully converted and concluded. The Pipeline Conversion Rate metric indicates the share of pipeline opportunities which were won (converted to Bookings) in each period.

Why is Pipeline Conversion Rate important to measure?

Conversion rate metrics are incredibly useful tools in the revenue analysis toolbox. This type of metric answers a dual purpose as it helps companies both evaluate operational performance and estimate future business results. The Pipeline Conversion Rate metric is one of the most widely-used and impactful of these metrics.

First, this metric provides a measure of the success that the company has had in converting the potential revenue of open opportunities in the pipeline to actual booked revenue. This is useful when comparing the performance of different teams and sales people, as well as how well opportunities from different lead sources and industries are doing.

Second, this metric is often used to provide context and historical benchmarks for estimating future bookings given the amount of starting pipeline in these periods.

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Pipeline Conversion Rate

How is Pipeline Conversion Rate calculated?

The basic formula for calculating the Pipeline Conversion Rate involves dividing the amount of pipeline opportunities which were won by the amount of all pipeline opportunities. This metric comes in three variations which offer different benefits depending on the situation:

- **Net Conversion Rate** - The share of the Starting Pipeline which was successfully converted to Bookings during the period. This metric is useful in answering the question "how much of the starting pipeline do we expect to be closed-won as Bookings?". This metric should also be calculated for each pipeline forecast category.
- **Gross Conversion Rate** - The ratio between the Starting Pipeline and all Bookings during the period. This metric accounts for changes and new opportunities added during the period and is useful in answering the question "what is the amount of Bookings we won - in total - compared with our starting pipeline?". It enables measuring historical success rates, comparing results between periods, and creating projections based on the starting pipeline of current or future periods.

Illustrative example

Period	Pipeline components			Bookings	Starting Pipeline Conversion Rate
	Starting Pipeline	New Pipeline	Pulled-In Pipeline		
FY2020-Q1	150K	25K	25K	50K	**33%**
FY2020-Q2	200K	50K		50K	**25%**
FY2020-Q3	250K	45K	5K	60K	**24%**
FY2020-Q4	200K	70K	30K	75K	**37.5%**

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Pipeline Conversion Rate

- **Total Conversion Rate** - This metric indicates the share of the total open pipeline that was closed-won in a given period. The total potential open pipeline includes New Pipeline, Pulled-In Opportunities and Changes to Starting Pipeline. It provides a measure of how successful the company has been in converting the potential pipeline within a given period to closed-won bookings.

Illustrative example

Period	Pipeline components* (Sum)			Won Pipeline	Full Pipeline Conversion Rate
	Starting Pipeline	New Pipeline	Pulled-In Pipeline		
FY2020-Q1	150K	25K	25K	50K	**25%**
FY2020-Q2	200K	50K		50K	**20%**
FY2020-Q3	250K	45K	5K	60K	**20%**
FY2020-Q4	200K	70K	30K	75K	**25%**

* The total sum of period pipeline includes: Starting, New, Pulled-In, Reactivated, Changes to Start and Closed Outside Period

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Quota Attainment

What is Quota Attainment?

Quota Attainment is a key performance indicator that compares realized outputs with their previously set targets at the business, team or personal levels. It is usually tracked for important top line metrics, primarily annual recurring revenue (ARR) and its components including New ARR, Renewal ARR and Expansion ARR. The specific quota type depends on the department and role for which it is set such as Sales, Marketing or Customer Success.

Why is Quota Attainment important to measure?

The Quota Attainment metric is essential for evaluating the performance and outputs of the company's revenue operations, from specific regions or departments down to the team and individual contributor level. Revenue leaders and managers make frequent use of this metric to monitor, diagnose and improve the effectiveness of their reports. It can be useful in a variety of different use-cases including assessing the ramp time of new salespeople, focusing attention and support for underperforming teams, and identifying high-performers so that their work processes can be emulated by others.

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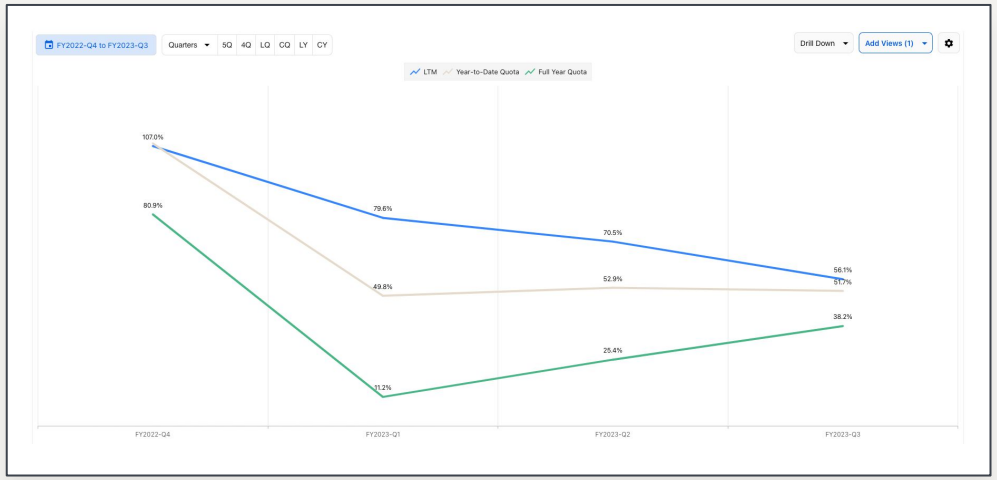
Quota Attainment

How is Quota Attainment calculated?

At its heart, quota attainment is a simple comparison of set targets (quota) and the results achieved in pursuit of that goal (attainment). Regardless of the type of quota, there are several options for calculating this metric with the overall Quota Attainment metric displaying the different measurement types side by side, for easier comparison of teams and individuals across the various reference frames (Full Year, YTD and LTM).

- **Quota Attainment, Full Year** - Compares the realized outputs within a year to that year's full quota.
- **Quota Attainment, Year-to-Date (YTD)** - Compares the realized outputs within a year to the proportional quota expected at that date (i.e. by mid-year the YTD quota is half of the Full Year quota).
- **Quota Attainment, Last 12 Months (LTM)** - Compares the realized outputs over the last 12 months (LTM) to the summary quota for that period across fiscal years.

$$\frac{\text{Bookings (\$)}}{\text{Quota (\$)}} = \text{Quota Attainment (\%)}$$



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Sales Funnel

What is the Sales Funnel?

The Sales Funnel metric provides an overview of the pipeline in development during the period, displaying the amount of opportunities that are in each stage of the funnel.

This metric can be measured according to the number (Count), Total Contract Value (TCV) or Annual Recurring Revenue (ARR) of opportunities in each stage.

Why is the Sales Funnel important to measure?

The Sales Funnel metric represents the key sales funnel and opportunity development process. It is used both to present the current stage of opportunities in the pipeline, as well as provide the basis for other important metrics such as the progression rate to later funnel stages and then to the win rate of opportunities that passed through each stage.

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Sales Funnel

How is the Sales Funnel calculated?

Calculating the Sales Funnel involves summing the amount of opportunities that are in each stage during each period. Using the history of opportunity changes, the metric presents the amount of opportunities which were in each stage in both the current and previous periods.

There are three common variations of the Sales Funnel which are used for different purposes:

- **Sales Funnel (Active)** - The amount of opportunities that were active in a specific stage at any point during the period. “What is the total number of opportunities in each stage during each period?”
- **Sales Funnel by Entry Cohort** - The amount of opportunities which entered the stage during the period (cohort). “How many new opportunities are created and moved into each stage of the sales funnel?”
- **Sales Funnel Snapshot** - The amount of opportunities that were active in the stage at the end of the period. “What is the amount of opportunities in each stage of the funnel when the period ended?”

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Lead Funnel

What is the Lead Funnel?

The Lead Funnel metric provides an overview of leads in development during the period, presenting the number of leads in each stage. Lead stages such as MQL (Marketing Qualified Leads), SAL (Sales Approved Leads) and SQL (Sales Qualified Leads) are important steps in developing leads into pipeline opportunities. Measuring the number of leads in each stage is a basic requirement of revenue and marketing operations.

Why is the Lead Funnel important to measure?

Tracking the number and current status of leads is a critical responsibility of revenue and marketing leaders. The lead funnel is one of Marketing's best tools in increasing the number, quality and conversion rate of leads.
Use the Lead Funnel metric to monitor and improve lead development from the top of the funnel all the way to conversion to pipeline opportunities.

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Lead Funnel

How is the Lead Funnel calculated?

The Lead Funnel is calculated by counting the number of leads that are found in each stage during each period. Stage changes are tracked by timestamp fields that indicate when a lead entered and exited each stage. There are three common variations of the Lead Funnel which are used for different purposes and have their own pros and cons:

- **Lead Funnel (Active - default)** - The number of leads that were active in the stage at any point during the period answers the question "what was the total number of leads in each stage during each period?"
- **Lead Funnel by Entry Cohort** - The number of leads which entered the stage during the period (cohort) |
- answers the question "how many new leads were created and moved into each stage of the lead funnel?"
- **Lead Funnel Snapshot** - The number of leads that were active in the stage at the end of the period answers the question "what was the number of leads in each stage of the funnel when the period ended?"

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Net Dollar Retention Rate

What is Net Dollar Retention Rate (NDR)?

The Net Dollar Retention Rate (NDR or NRR) metric measures the share of the current Annual Recurring Revenue (ARR) linked to the customer base that was active in the previous period. For B2B SaaS companies, NDR is often measured over a twelve-month period (LTM or TTM), tracking the progress of the customer base active 12 months ago. Some companies calculate NDR at shorter intervals (e.g., one quarter) depending on the average duration of contracts and the mechanism for upsell.

Why is it important to measure our Net Dollar Retention Rate (NDR)?

NDR is a key performance indicator for measuring the health, growth and long-term resilience of a business.
It is especially important for SaaS B2B companies which often invest heavily in customer acquisition early on, and expect to recoup the initial spend later on by retaining and expanding accounts at a relatively lower cost.
A low NDR score is sometimes described as a “leaky bucket”, a situation where a company keeps spending capital to bring in new customers but then lets them slip (or fail to grow) when it comes time to renew.

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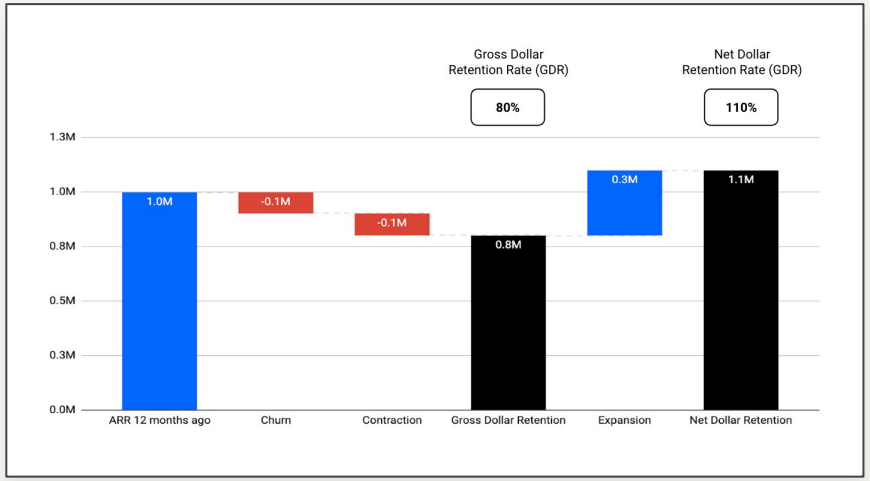
Net Dollar Retention Rate

How is Net Dollar Retention Rate calculated?

NDR is expressed as a percentage of the starting ARR. It includes the retained ARR and any expansion of the starting customer base, minus any churn or contraction.

$$\text{Net Dollar Retention Rate}_{\text{LTM}} = \frac{\text{Starting ARR}_{\text{12 Months Ago}} - \text{Churn}_{\text{LTM}} - \text{Contraction}_{\text{LTM}} + \text{Expansion}_{\text{LTM}}}{\text{Starting ARR}_{\text{12 Months Ago}}}$$

Another way to think about NDR visualizes the churn, contraction and expansion components of the NDR calculation.



About Sightfull

The Sightfull revenue analysis and optimization platform helps SaaS companies continuously drive efficient growth by enabling revenue leaders and revenue operations teams to quickly analyze, test and adjust their go-to-market strategies. With hundreds of pre-calculated metrics and dozens of detailed dashboards provided out-of-the-box, they can easily investigate revenue trends at a highly granular level, identify their root causes, and act on proactive insights and alerts regarding time-sensitive business issues. By receiving immediate answers to all their business questions, our customers gain a comprehensive understanding of their entire revenue cycle in a matter of days, without having to rely on overworked data analysts, resource-intensive BI systems or time-consuming processes.

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