

2014
SALES &
MARKETING
PERFORMANCE
INDEX

SaaS, Budget & Funnel Metrics

SEPTEMBER 2015

GOOD NEWS & BAD NEWS

Sales & Marketing Leaders,

During the first quarter of 2015, we surveyed our portfolio companies in support of Edison's first annual Sales & Marketing Performance Index. The objective of the Index is to examine SaaS scalability, funnel effectiveness and budget dynamics across the portfolio and enable you to gauge how your company stacks up against not only your Edison peers, but also industry benchmarks.

Thank you to the companies who participated. Unfortunately, only 62% of the portfolio companies surveyed responded, so the data set is more limited than we would have liked. The good news, however, is that this initiative prompted several metrics-oriented advisory engagements, and a focus on improved measurement disciplines throughout the portfolio. We look forward to 100% participation and a complete data set in 2015.

Following is a summary of what we've learned from the 2014 data. Accompanying this report is also **a workbook** that contains the raw data set, a dashboard template for tracking Index data going forward, and a reference sheet of metric definitions.

I look forward to any questions/feedback, and our continued work together to drive and measure best-in-class sales and marketing performance.

Best,
Kelly



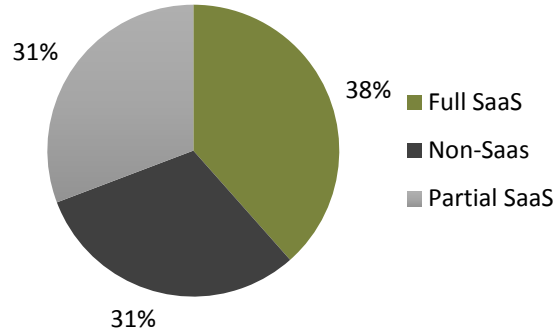
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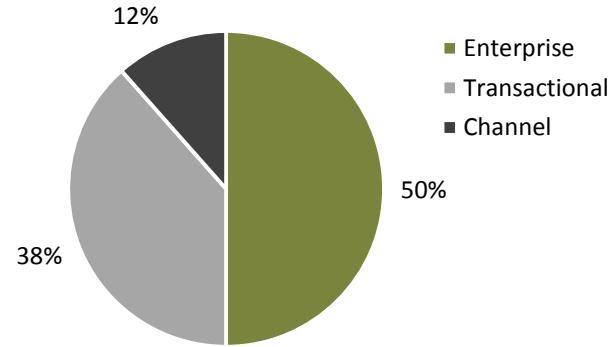
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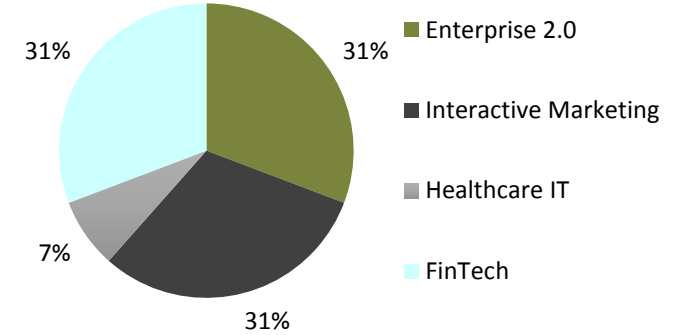
CHARACTERISTICS OF INDEX PARTICIPANTS



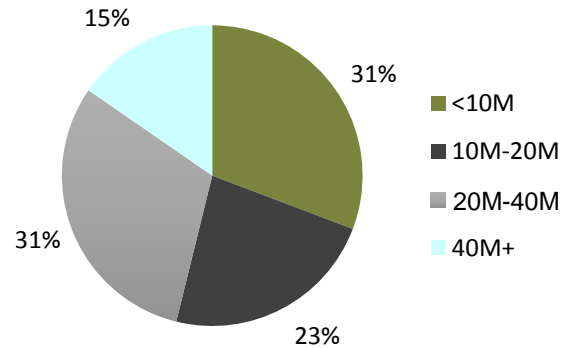
BUSINESS MODEL



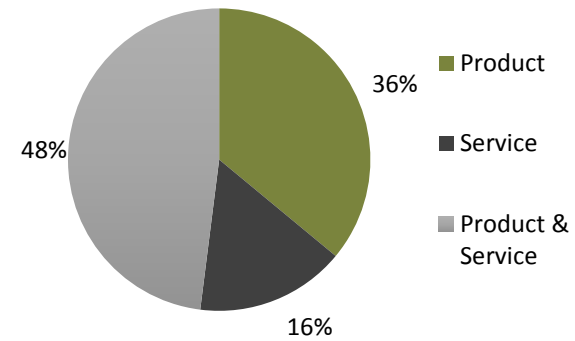
PRIMARY GTM MODEL



INDUSTRY



REVENUE RANGE



BUSINESS TYPE

EDISON'S FASTEST-GROWING COMPANIES HAVE THE FOLLOWING DYNAMICS IN COMMON....



Spend more on Sales and Marketing as a percentage of revenue and absolute dollars



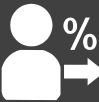
Have shorter sales cycles



Have funnel operations in place



New logos account for more growth



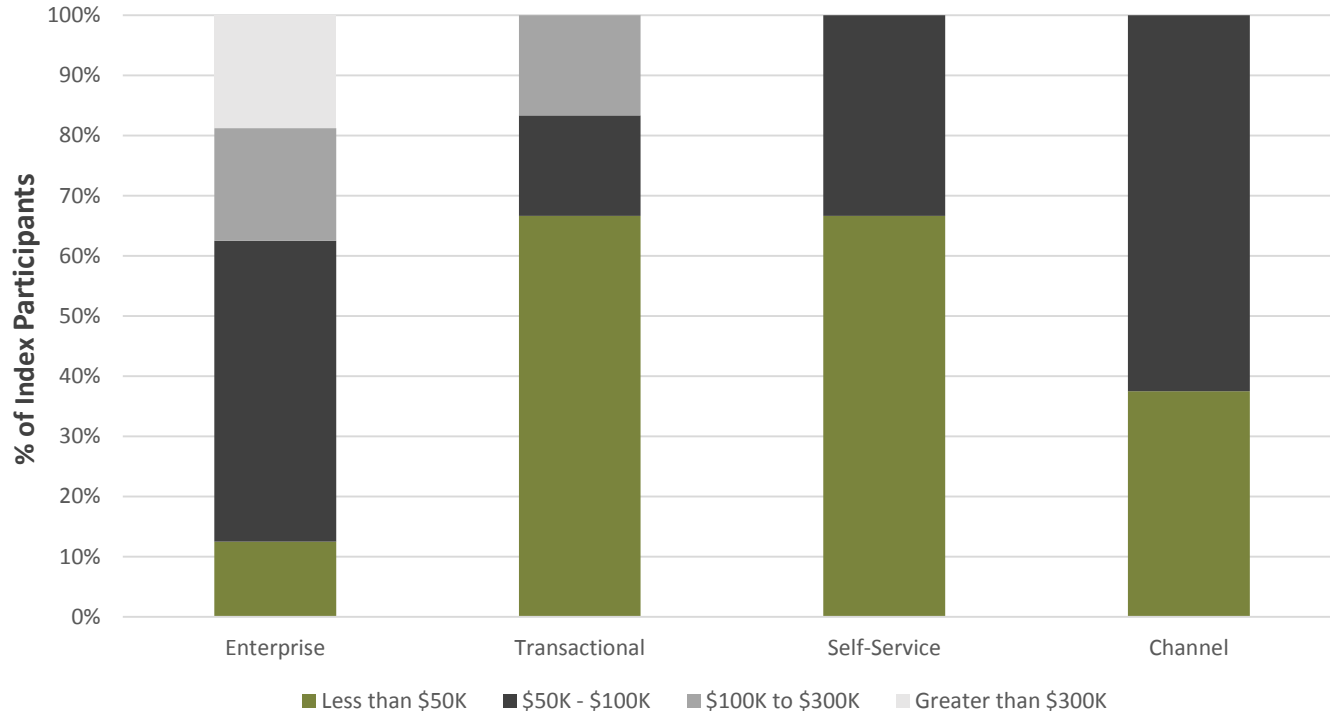
Are converting MQLs at higher rates



Do a better job at upselling their base

SAAS METRICS

CAC BY PRIMARY GTM MODEL

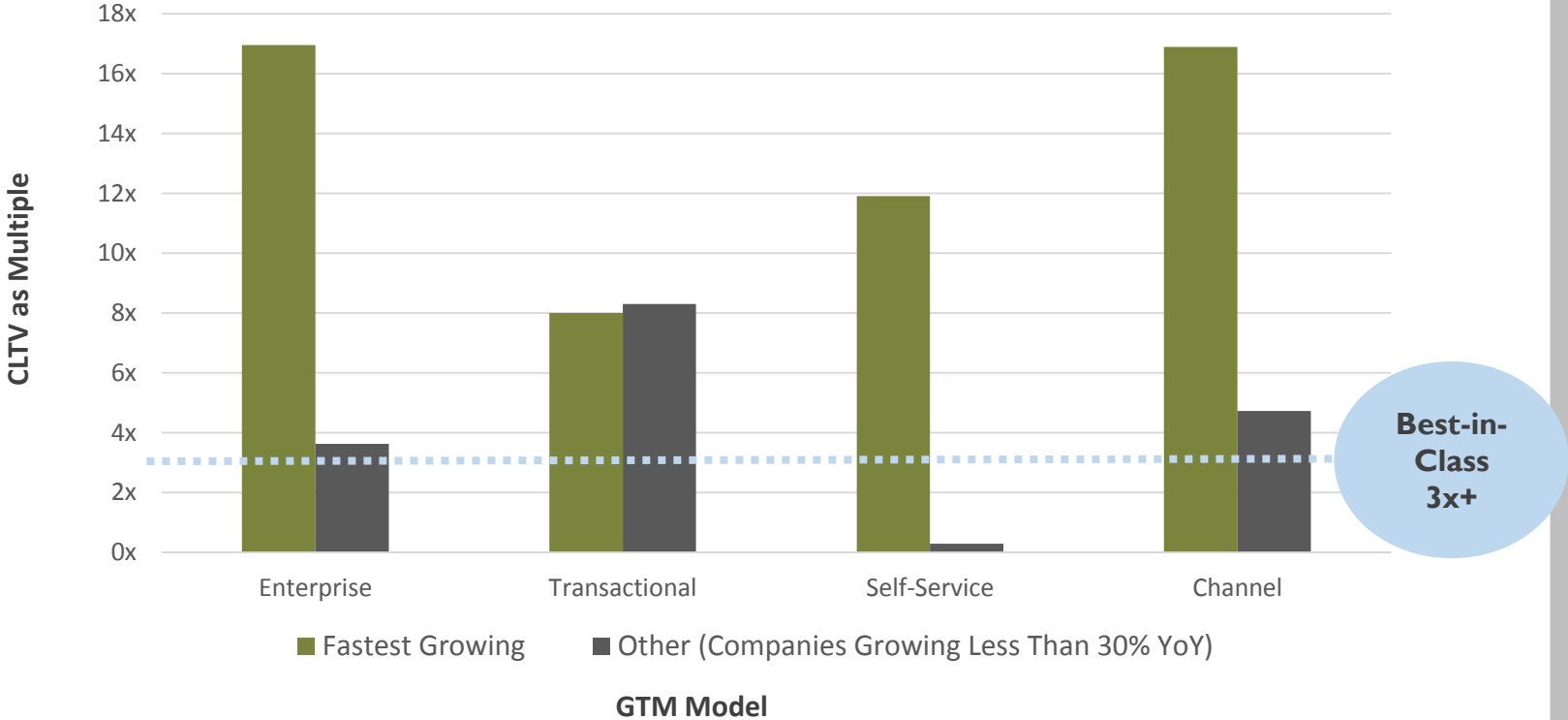


CAC by GTM Model

Key Takeaway:

Enterprise go-to-market (GTM) models have more variability across Customer Acquisition Cost (CAC), while there exists a wider consistency of lower acquisition costs for those companies with Self-Service and Channel as their primary GTM models.

AVERAGE CLTV/CAC RATIO BY PRIMARY GTM MODEL



Key Takeaways:

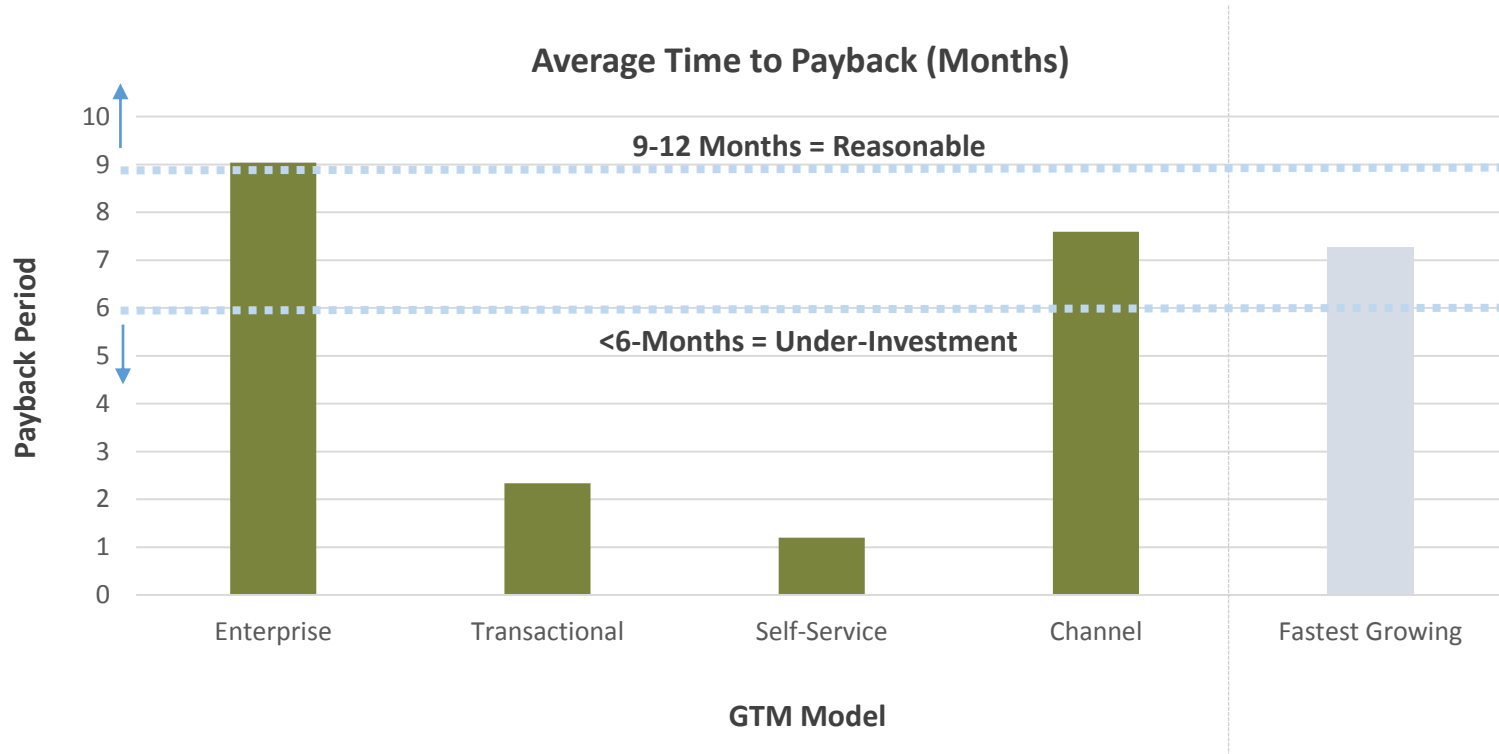
59% of participants had Best-in-Class performance.

Strong CLTV/CAC performance drives higher growth in all but transactional GTM models.

Weighted averages by GTM model were as follows:

- 3.6x** Enterprise
- 10.4x** Transactional
- 7.5x** Self-Service
- 6.7x** Channel

TIME TO CAC PAYBACK



Key Takeaways:

On average, our fastest-growing companies realize a 7-month payback period, indicating that they are investing efficiently.

RECOMMENDATION: Moderately increase investment.

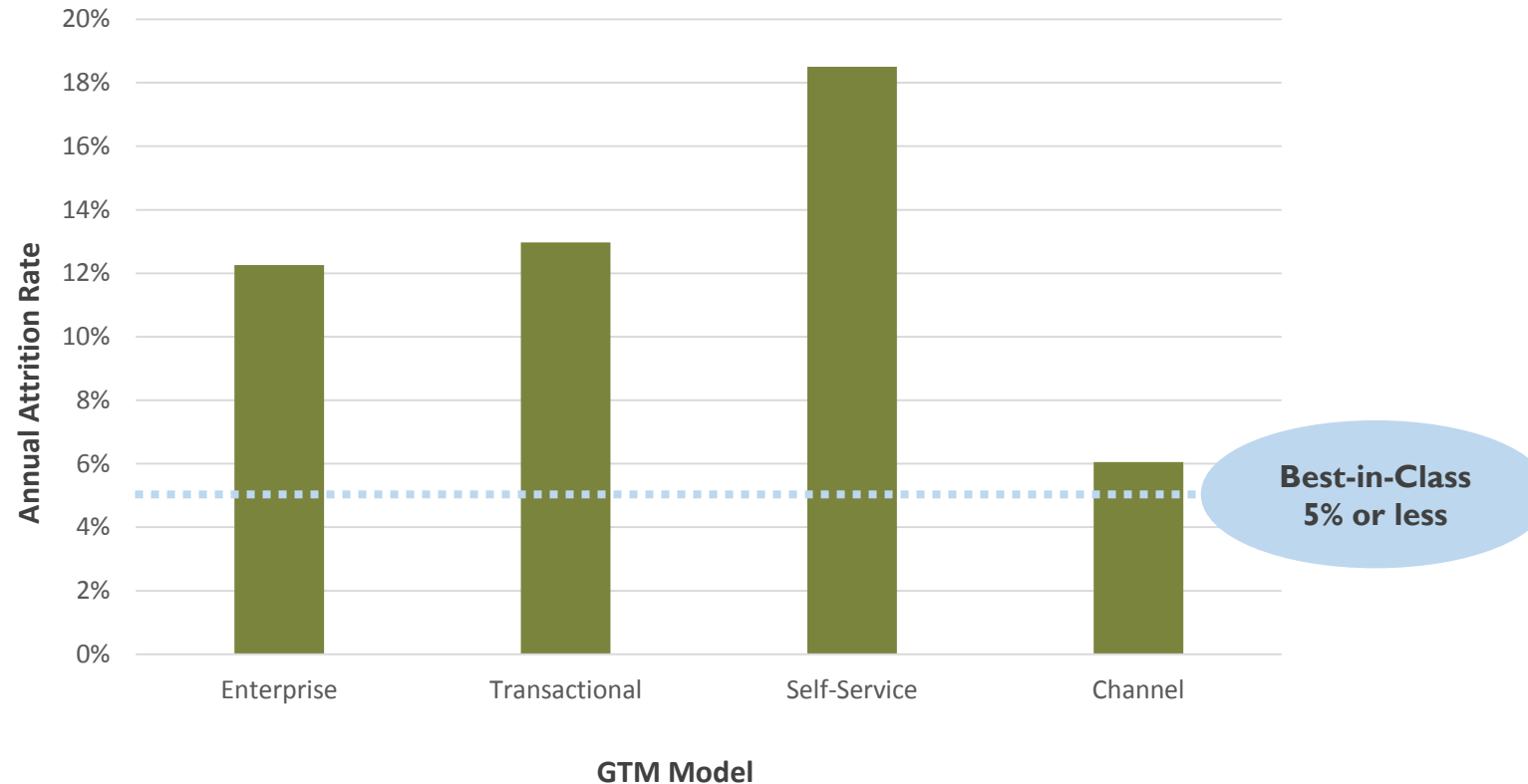
Other findings on the whole:

61% of participants are realizing <6-month payback. **RECOMMENDATION:** Increase sales and marketing investment.

11% of participants are realizing 9-12-month payback, which is reasonable.

16% of participants are realizing >18-month payback. **RECOMMENDATION:** Reduce investment, evaluate inefficiencies and optimize with a goal of 9-12-month payback.

ANNUAL ATTRITION RATE BY GTM MODEL

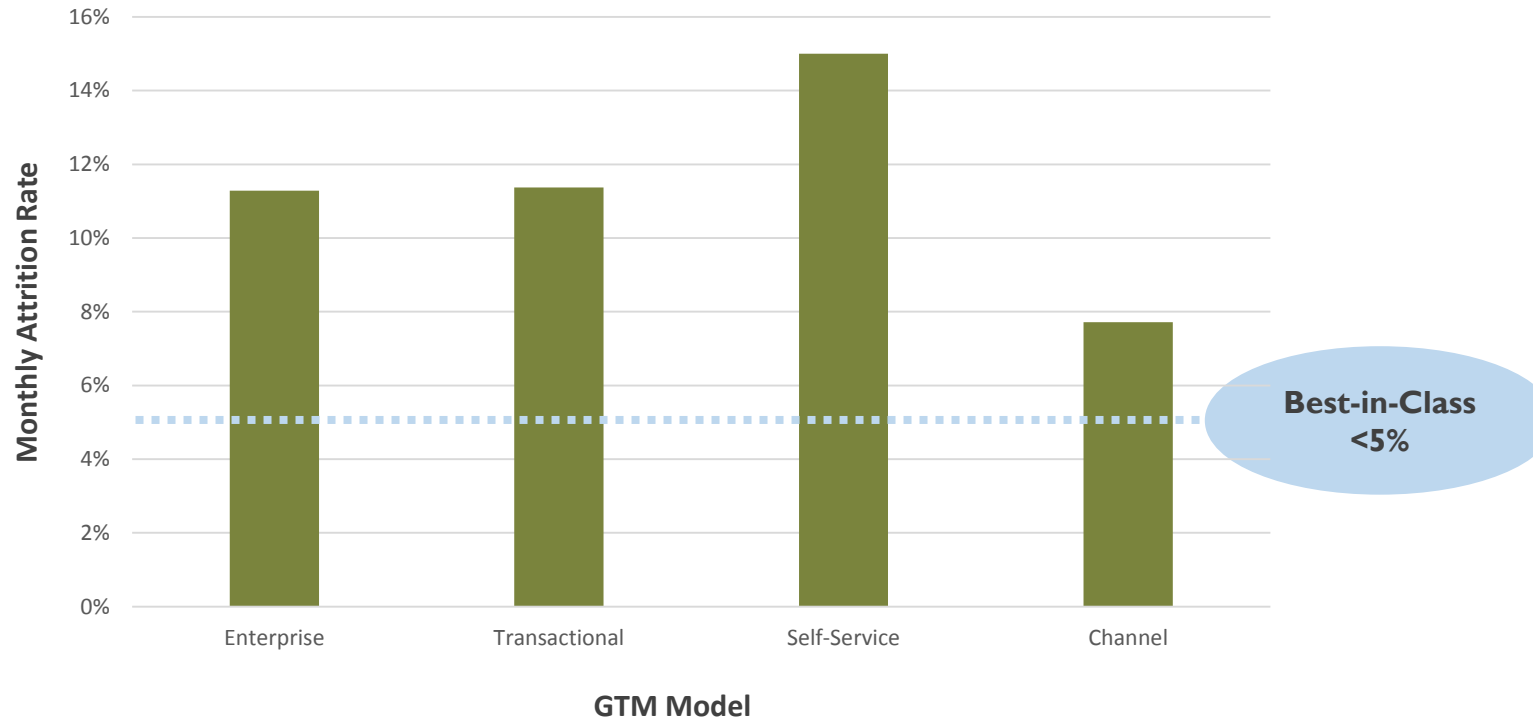


Key Takeaways:

While Edison companies with Enterprise and Transactional models have moderately high attrition rates, Self-Service is extremely high.

Edison companies relying on Channels have lower attrition rates at Best-in-Class level.

MRR ATTRITION RATE BY GTM MODEL



Key Takeaways:

Monthly Recurring Revenue (MRR) attrition rates are largely consistent with (only slightly lower than) Annual attrition rates.

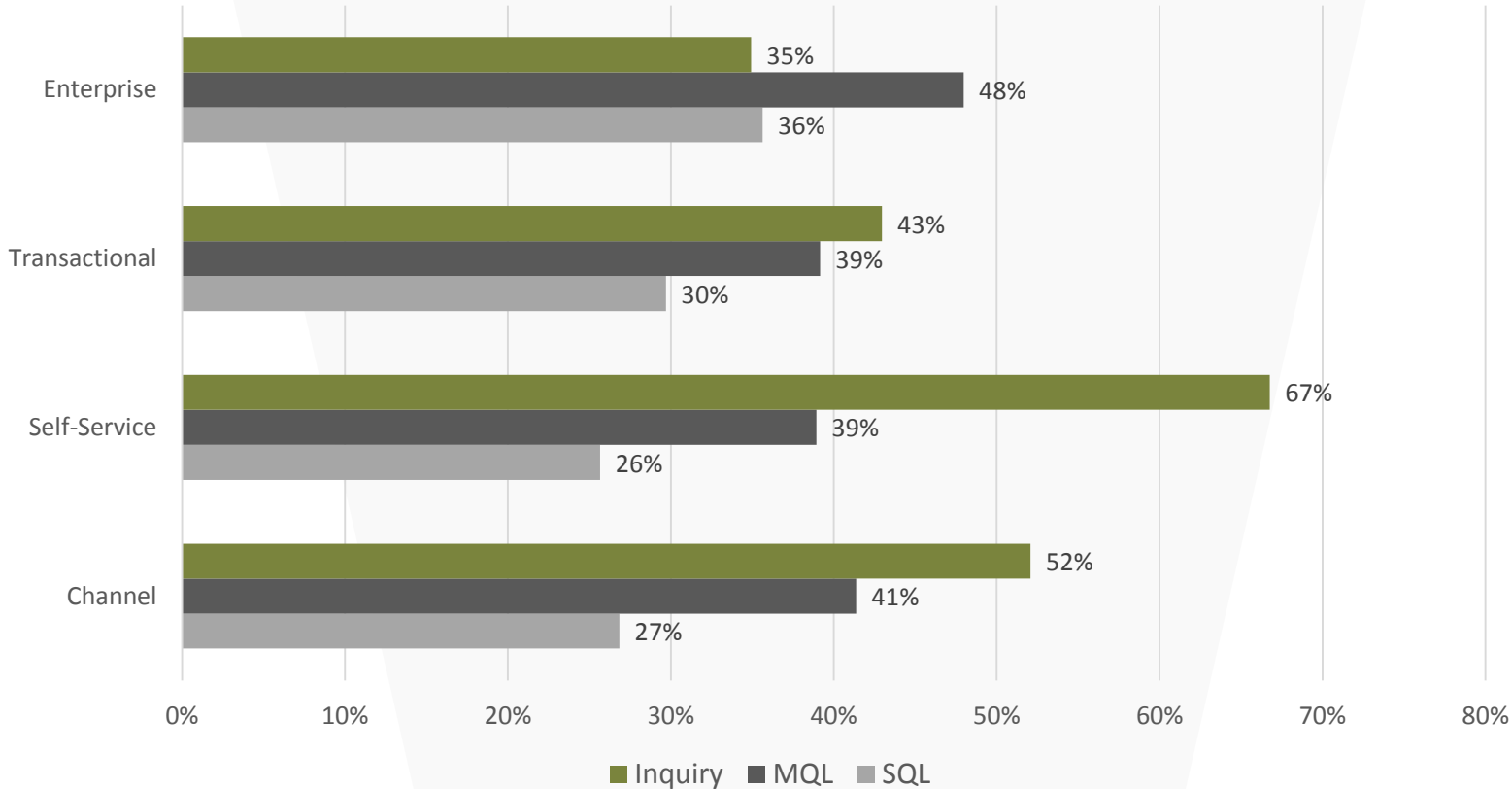
69% of participants were churning customers at a rate of >5% monthly.

CONSIDERATIONS:

*Why are my customers leaving?
What product improvements are needed?
Who is accountable for retention?
How can Account Management be optimized to improve customer retention?*

FUNNEL METRICS

FUNNEL METRICS



Key Takeaways:

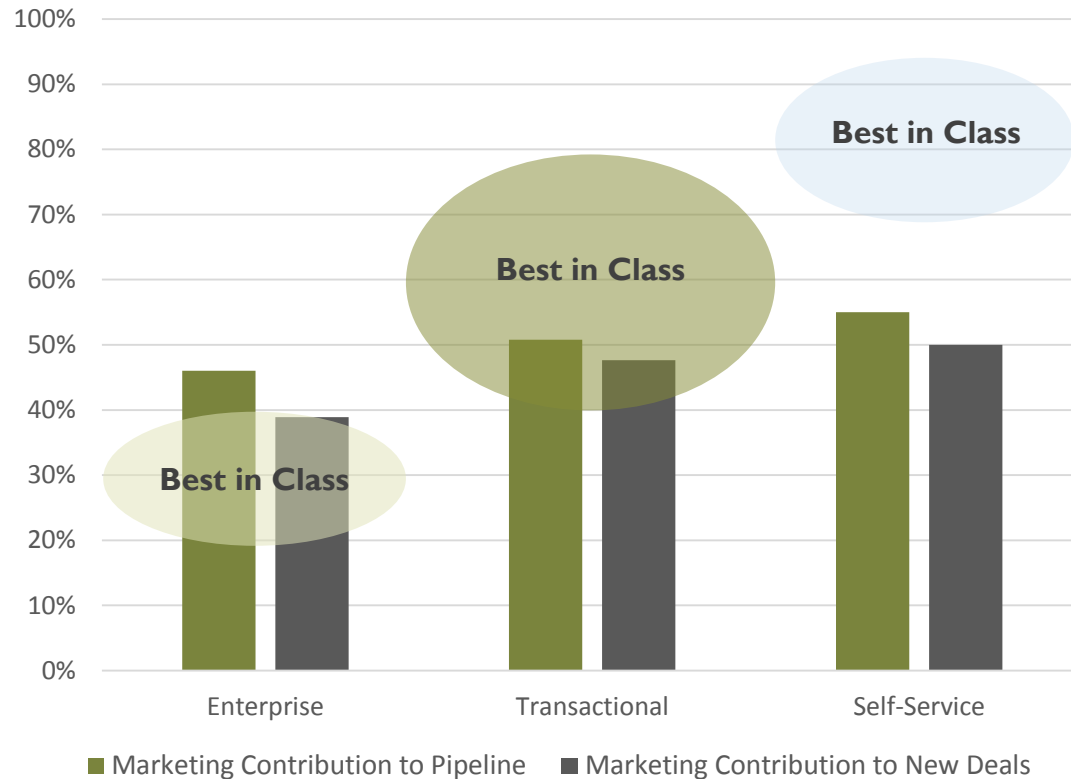
31% of Index participants were not tracking full funnel metrics in 2014.

The fastest-growing companies converted MQLs at higher rates. Slower growers were less focused on lead quality, and as such, conversion rates were lower.

GUIDANCE ON FUNNEL CONVERSION RATES:

- Inquiries should convert at 25-50%, varying by go-to-market model and market dynamics.
- 30-35% is a reasonable target for MQL>SQL; Best-in-class companies convert MQLs at 50%.
- Enterprise and Transactional models tend to convert SQLs to at 20%. High-performing teams hit 30+%.

MARKETING CONTRIBUTION

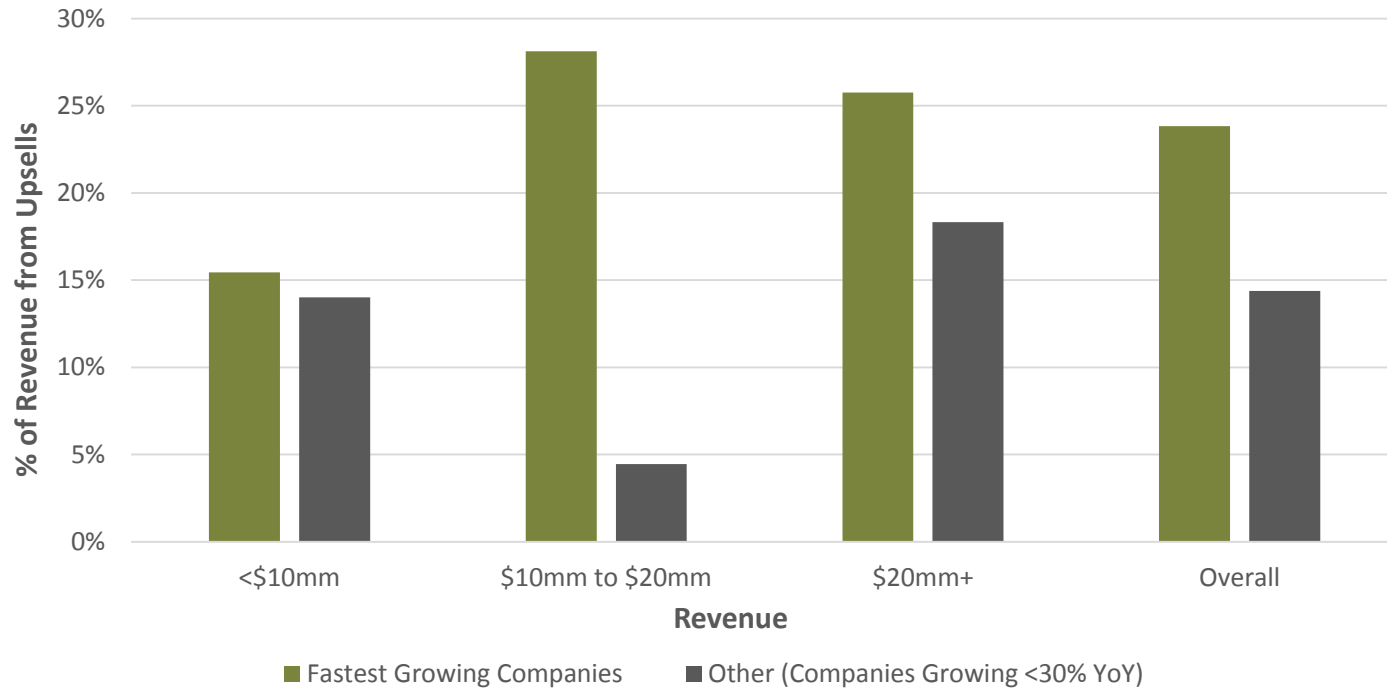


Key Takeaways:

46% of respondents were measuring Marketing contribution to pipeline and new deals in 2014.

Those companies with Marketing functions contributing measurably to the business are average to better-than-average relative to Best-in-Class guidance.

FASTEST-GROWING COMPANIES RELY MORE ON UPSELLS



Top-tier companies defined as those with a growth rate of 30% or higher.

Key Takeaway:

Edison's fastest-growing companies do a better job at upselling their existing customer base, and as such, rely more so on upsells as a significant contributor to revenue than slower growers do.

CONSIDERATIONS:

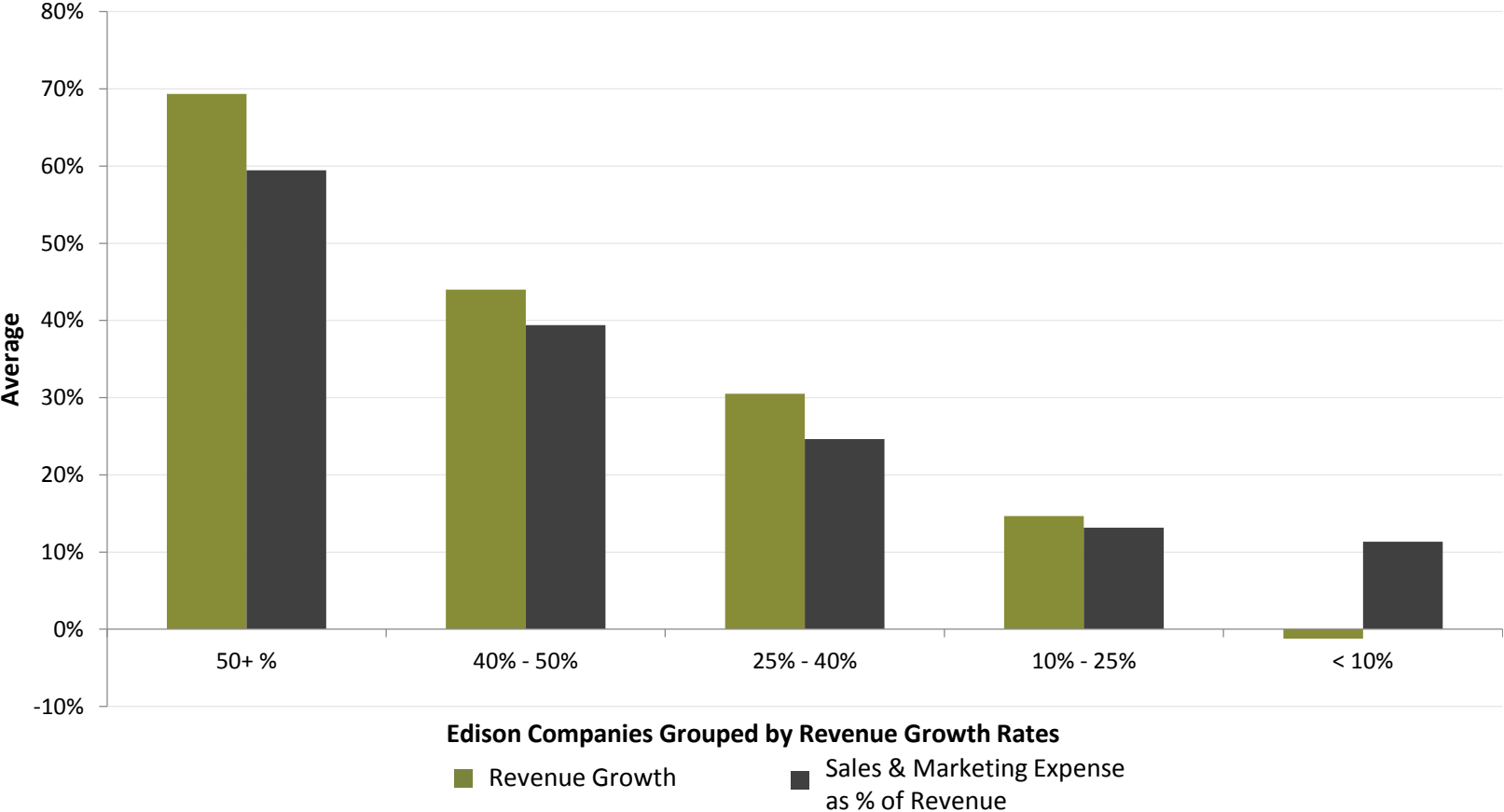
Do you have a repeatable 'land & expand' approach?

Does your pricing model designed to capture more value as usage increases?

Is your product roadmap enabling add-on product sales?

BUDGET METRICS

SALES & MARKETING EXPENSE EFFICIENCY



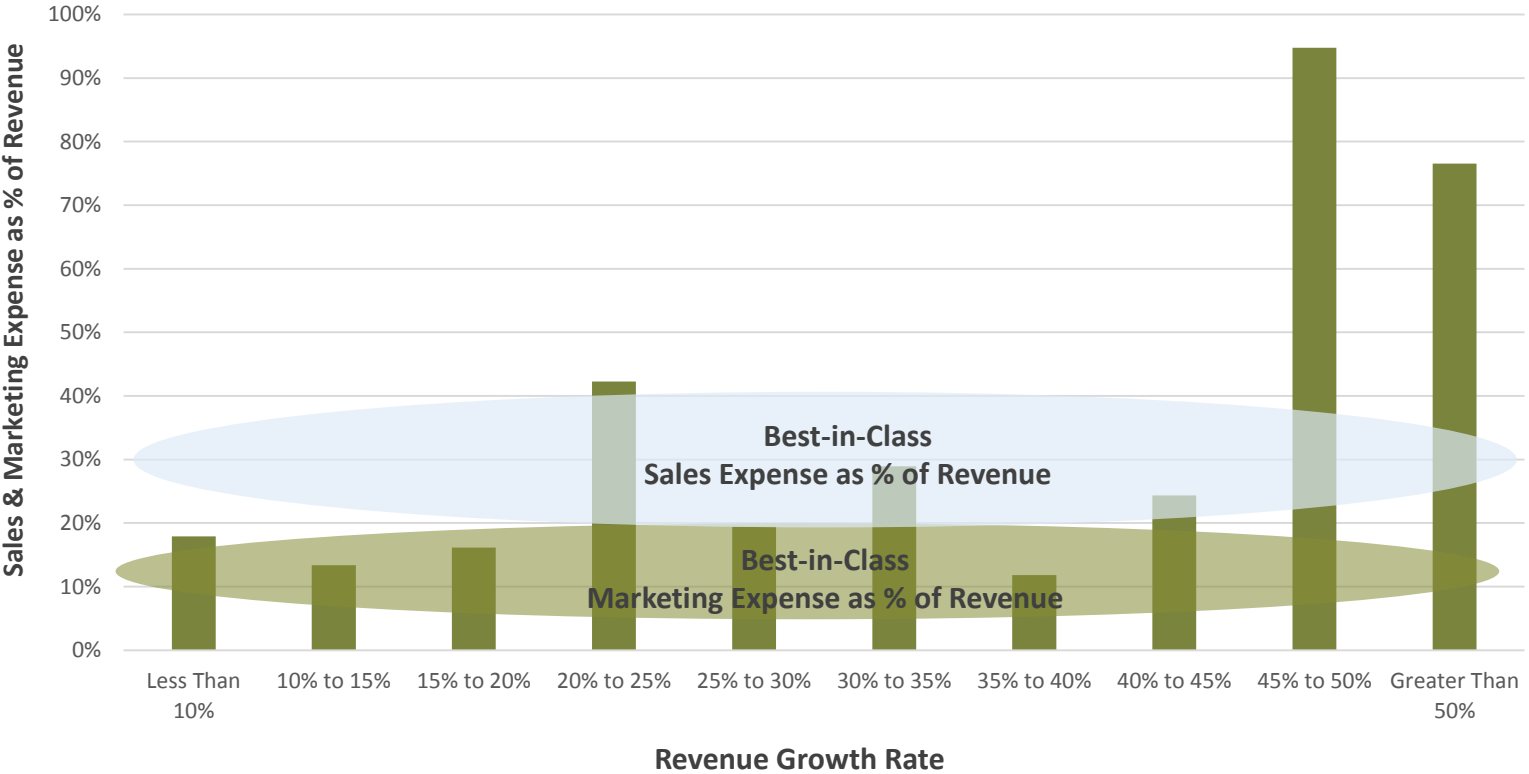
Key Takeaways:

The most efficient Edison companies are spending less on Sales and Marketing (as a % of revenue) than they are generating in revenue growth.

RECOMMENDATION:

If you are spending more on Sales and Marketing than you are generating in growth, then evaluate use of budget relative to return. For example, did that \$30,000 event pay for itself, or better?

SALES & MARKETING EXPENSE AS % REVENUE



Key Takeaway:

Fastest-growing Edison companies are spending roughly **50%** more on Sales & Marketing than slower growers.

BUDGET GUIDANCE:

Best-in-Class growth-stage companies spend:

- **7-20%** of revenue in Marketing
- **20-40%** of revenue in Sales

EDISON EDGE ENGAGEMENT

EDISON EDGE: BY THE NUMBERS

Edison Edge, our firm's value-added services platform, includes executive education, a network that goes deep and broad, and advisory programs designed to serve the needs of growth-stage companies. We actively engage with CEOs and their teams to help you accelerate growth with confidence.

We took a look at 2014 Sales and Marketing data relative to Index participants' engagement with Edison Edge programs.

Key Takeaways:

- **96%** of Index participants were engaged in the Edge in general during 2014
- **88%** of Index participants had CEOs in attendance at our 2014 CEO Summit
- **48%** of Index participants had Sales and/or Marketing leaders in attendance for our July 2014 Sales & Marketing Roundtable
- **62%** of Index participants took advantage of Edison Sales and Marketing advisory during 2014
- **57** Sales and Marketing advisory engagements with Index participants took place during second half 2014

ARE YOU LEVERAGING THE EDISON EDGE?

SALES & MARKETING PERFORMANCE INDEX: DATA, DASHBOARD & DEFINITIONS

Sales & Marketing Performance Index and supporting material available for Edison portfolio companies only.

Sales & Marketing Performance Dashboard: A template for tracking your monthly key metrics.

Sales & Marketing Performance Index: Raw data to help you gauge how you measure up against other Edison portfolio companies.

Metrics Definitions and Best-in-Class Guidance. Wondering how to calculate one metric or another? We have provided a list of metrics definitions to guide you.

The screenshot displays the Edison Sales & Marketing Performance Index dashboard and index table. The dashboard includes a funnel chart and a table of key metrics. The index table provides definitions, calculations, and best-in-class guidance for various metrics.

Sales & Marketing Performance Dashboard																																																																																																																		
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