

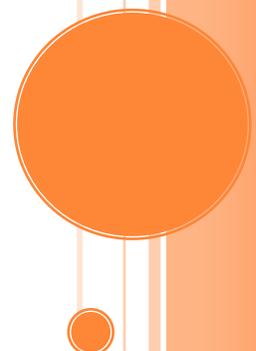
Software-as-a-Service (SaaS) Excel Pricing/Revenue Model User Guide

Excel-based SaaS Pricing Models Template

This Excel-based template allows the user to review different SaaS pricing scenarios and their impact on total revenue. Detailed “what-if” analysis can be carried out on all the key variables that effect total Software-as-a-Service (SaaS) over a three-year period. The Excel template is totally customizable, uses only standard Excel features and contains no macros.

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INTRODUCTION

Software-as-a-Service (SaaS) is becoming increasingly popular and as a result many suppliers are responding by providing their existing or new applications as a SaaS offering.

This transition to a SaaS deployment can have a very significant impact on the revenue of software companies.

There are four key variables that directly impact the total revenue generated from a SaaS application. These are:

- The number of customers
- The average number of user subscriptions per customer
- The average user subscription rate charged
- The attrition/churn rate of existing customers who cease to use the service/pay a subscription

The total revenue implications of different strategy options such as offering a low user subscription rate to encourage a large number of customers and users as an alternative to charging a significantly higher subscription rate with the probable lower number of customers and/or user subscriptions can be readily accessed. The impact of a focus on signing new customers to the exclusion of addressing customer retention can also be analysed.

The revenue model/calculator is suitable for both existing SaaS businesses and new SaaS businesses.

Projections are calculated for each of three years for the following (a) number of customers, (b) number of user subscriptions, (c) average revenue per customer and (d) total revenue.

The projections are displayed in tabular and graphic formats.

The Excel template is totally customizable, uses only standard Excel features and contains no macros.

USER INSTRUCTIONS

Setup

The template comes ready to use out of the box.

Diagram 1 below depicts the setup and data input worksheet.

SaaS Pricing/Revenue Calculator				
Please Select type of Business (Existing or Start-up)				
1	Business Type	0		
	<input checked="" type="checkbox"/> Existing SaaS Business			
	<input type="checkbox"/> Start-up SaaS Business			
Existing SaaS Business		No.		
No of SaaS Customers		10		
Average Number of Users/Subscribers per Customer		50		
Average Subscription Fee per User		\$25		
Or				
SaaS Start-up Year 1 Projections		No.		
No of SaaS Customers Projected at the end of Year 1		100		
Average Number of Users/Subscribers per Customer		5		
Average Subscription Fee per User		\$15		
SaaS Revenue Factors Changes		Year 1 Change (+ - %)	Year 2 Change (+ - %)	Year 3 Change (+ - %)
New Customers (% change +/-)		20%	100%	50%
Average Number of Subscribers per customer (% change +/-)		20%	20%	20%
Average Subscription Fee (% change +/-)		10%	10%	10%
Annual User Attrition / Churn Rate		0%	5%	5%
Annual Revenue & Associated Factors		Year 1	Year 2	Year 3
Total Number of Customers at Year-end		100	200	290
Average Number of Subscribers per Customer		5	6	7.2
Average Subscription Fee		\$15	\$17	\$18
Average Revenue per Customer		\$75	\$99	\$131
Total Number of Subscribers at Year-end		500	1,200	2,088
Total Revenue		\$7,500	\$19,800	\$37,897
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Diagram 1 SaaS Revenue Calculator set-up and data input

SELECTING COMPANY TYPE

The model is suitable for existing SaaS businesses and start-up SaaS business. The user should select the type of business to be analysed as per item [1] in diagram 1 above.

ENTERING STARTING POSITION

Existing SaaS Businesses

Existing SaaS businesses should enter the following parameters:

- Number of SaaS Customers
- Average Number of users/subscriptions per Customer
- Average Subscription Fee per user.

This starting position is used to analyse the impact of the various scenarios and strategies in future years.

SaaS Start-up Businesses

Start-up SaaS businesses have no actual performance figures on which to base future projections. The user should enter data based on projections for the first year. These estimates should take into account factors such as current qualified prospects and sales pipeline. The following parameters should be entered:

- Number of SaaS Customers, projected at the end of Year 1
- Average Number of users/subscriptions per Customer, projected at the end of Year 1
- Average Subscription Fee per user, projected at the end of Year 1.

This starting position is used to analyse the impact of the various scenarios and strategies in future years.

ANALYSING SCENARIOS & STRATEGIES

The future revenue generated by the SaaS model is driven by four key variables.

These are:

- Percentage change (positive or negative) in the number of customers using and paying the SaaS service.
- Percentage change (positive or negative) in the average number of paying users/subscribers per customer.
- Percentage change (positive or negative) in the average subscription fee per user.
- The annual rate of attrition among users/subscribers.

The revenue impact of changes/updates to any of the variables is calculated and presented in tabular and graphic format. This allows the impact of any scenario to be reviewed and comprehensive “What-if” analysis to be carried out.

SAAS PRICING/REVENUE DASHBOARD

The results of the different scenarios being analyzed is presented in tabular format (Diagram 1, item [2]) and graphically in a comprehensive dashboard as depicted in Diagram 2 below.

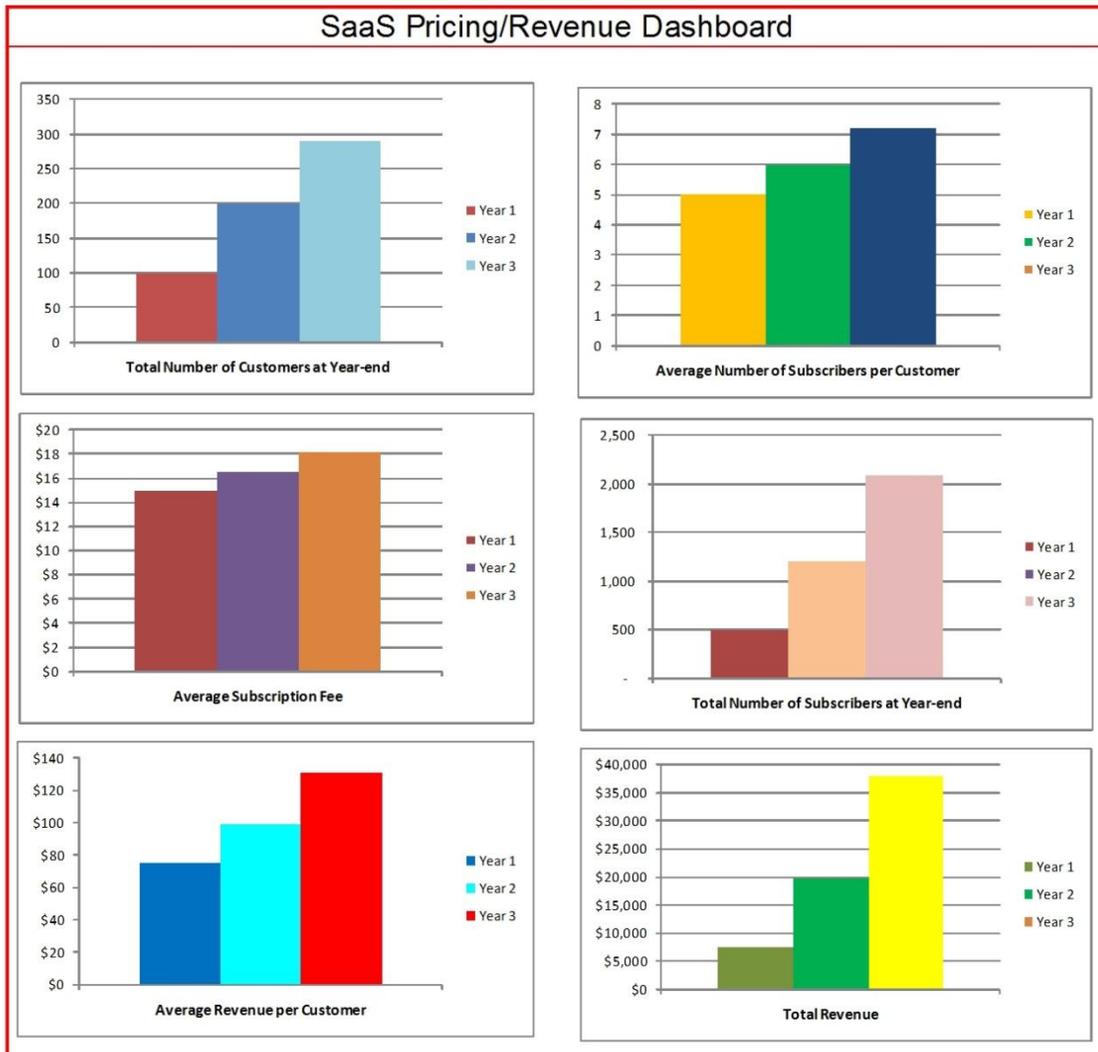


Diagram 2 SaaS Revenue Dashboard