REVENUE ARCHITECTURE
DATA MODEL
What Caused the SaaS Crash?

The SaaS crash did not come as a surprise to everyone. Many industry experts had noted the market’s sustainability in the years leading up to this. However the speed at which it happened and the widespread impact of the crash still caught many off guard. For far too long, the market had operated on a diet of financial junk food, propped up by cheap investment money warranted by occasional bursts of explosive growth in particular sectors.

Various factors contributed to this unprecedented fall, including rising interest rates, the end of the COVID stimulus, macroeconomic risks, and geopolitical uncertainties like the Russian/Ukraine war.

While these events certainly played an enormous role and may have caused the situation to spiral, they were not the root cause. An average customer buying process (to sign electronic documents or to use communication software) is typically disconnected from U.S. bond prices. And let’s not forget that customers were still buying and reviving using SaaS products when this occurred.

So what was the cause? During the Golden Era of SaaS, the prolonged period of low interest rates led to abundant investor capital. It enabled SaaS investments to grow without regard to near-term profitability, a Go To Market approach that has since become cliché: “growth at all costs.” To find the actual problem, let’s analyze what the growth at all costs CPM approach is.

The Growth at All Costs Culture

During the Golden Era of SaaS, low interest rates made money more accessible, propelling venture-funded companies into aggressive growth initiatives. Why? The natural result of growth in valuation in the private and public sectors. Entrepreneurs found the appealing path to publicizing their companies became evident. The faster the growth, the higher the valuation, increasing the likelihood of going public. Investors also believed the trend, as an investment made in a given valuation could quickly be justified by the next.
Figure 1. The Problem

The Problem is not Fixed. It is Getting Worse.

Cost of Growth from M&S [%]

[+] NET NEW ARR

[+] OF TOTAL ARR


146%  140%  150%  162%  176%  201%  215%  228%

14%  41%  42%  42%  43%  44%  45%  45%  45%
Agenda

- Revenue Factory The Three Goals
- Data Model How it Works
- Data Model Examples
4th Industrial Revolution (Cloud/AI)

**FACTORY 1.0**
MECHANIZATION
Introduction of power by water and steam to mechanize labor.

**FACTORY 2.0**
ELECTRIFICATION
Mass production through assembly lines using electrical power.

**FACTORY 3.0**
AUTOMATION
Use of networks, computers, and robotics to automate production.

**FACTORY 4.0**
CYBER-PHYSICAL
Use of cyber-physical systems, cloud computing, machine learning, and AI.

THE LEAP WE ARE MAKING

Figure 2. Revenue Factory
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THE LEAP WE ARE MAKING
Figure 3. Revenue Factory

Three Goals

1. Productivity  Grow Faster

2. Cost  Grow More Efficiently

3. Quality  Deliver Better Product

GROWTH MATURITY STAGES

Durable

Scalable

Sustainable

FIRST PRINCIPLE

Recurring Revenue is the result of Recurring Impact.
Figure 4. Revenue Factory put on top of the Growth Model

Growth Maturity Progression

ARR [mUSD]

Scalability → Sustainability → Durability

Scalability

Funding: Seed, Startup, Scaleup, Grownup

Time [Years] → IPO
Key Take Away

Beyond $10M in ARR your company is operating like a revenue factory. The goal of this factory is to produce recurring revenue in a cost efficient way. In a recurring revenue business this requires a product that delivers recurring impact.
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- Revenue Factory  The Three Goals
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Figure 5. Standardized Data Model
The Bowtie Extends The Marketing and Sales Funnel

ACQUISITION
Value Domain

RETENTION and EXPANSION
Impact Domain

Marketing and Sales Funnel
Extends... to cover Impact
Recurring Revenue is the result of Recurring Impact.
No standardized hand-off process.

SMB/ENT sales teams use a different method.

ABM method does not interface with MEDDIC.

Outbound campaigns no longer are scalable and sustainable.

Qualification criteria have changed.

Checklist behavior, misses the opportunity to establish needs.

Misalignment between adoption and expansion due to lack of “impact” mindset.

Companies are unable to maximize the expansion opportunity.
Figure 7. Standardized Data Model

Impact is a Universal Language

Achieve 1st Impact

Recurring Impact is the result of Recurring Impact.

Impact is the constant across the entire customer journey
Figure 8. Standardized Data Model

Scientific Model

Volume Metrics (VM)
Conversion Metrics (CR)
Time Metrics (Δt)

AWARENESS  EDUCATION  SELECTION  MUTUAL COMMIT  ONBOARDING  ADOPTION  EXPANSION

L2O  OTC  Discount  Churn

CR1  CR2  CR3  CR4  CR5  CR6  CR7  CR8

VM 1  VM 2  VM 3  VM 4  VM 5  VM 6  VM 7  VM 8  VM 9
Figure 9. Standardized Data Model

The GTM Approach
Recurring Revenue begins where the Marketing and Sales Funnel ends. Recurring Revenue is the result of Recurring Impact. Impact forms the common language for the entire customer journey. We can map this to a scientific model (Bowtie.) Today it is the #1 responsibility of a CEO to shift the company to this mindset (GTM mindset).
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- Revenue Factory The Three Goals
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Figure 8. Standardized Data Model

Scientific Model

**Volume** Metrics (VM)

**Conversion** Metrics (CR)

**Time** Metrics (Δt)

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**Revenue Architecture**

**Onboarding**

**Mutual Commit**

**Awareness**

**Education**

**Selection**

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**L2O**

**OTC**

**Discount**

**Churn**

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**Volume Metrics (VM)**

**Conversion Metrics (CR)**

**Time Metrics (Δt)**

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**VM 1**

**VM 2**

**VM 3**

**VM 4**

**VM 5**

**VM 6**

**VM 7**

**VM 8**

**VM 9**
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- Data Model  How it Works
- Data Model  Examples
GTM Motions

- No Touch
- Low Touch
- Medium Touch
- High Touch
- Dedicated Touch

Number of Deals per year:
- 10’s
- 100’s
- 1,000’s
- 10,000’s
- 100,000’s

Annual Contract Value:
- $5,000
- $15,000
- $50,000
- $500,000
- >$1M

Inbound
- 1-Stage
- Helpdesk

Outbound
- 2-Stage
- Volume
- Field Sales
- Target
- Segment

Self Serve
- Community

By Accounts
- Named Accounts
- Network

Segmentation:
- Field Sales
- Target
- Segment
- Named Accounts
- Network

Marketing (MKTNG)
Sales (SALES)
Customer Service (CS)
Figure 9b. GTM Model

GTM Motions, Bifurcation

- No Touch
- Low Touch
- Medium Touch
- High Touch
- Dedicated Touch

Number of Deals per year:
- 1's
- 10's
- 100's
- 1,000's
- 10,000's
- 100,000's

Annual Contract Value:
- $5,000
- $15,000
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2023

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REVENUE  ARCHITECTURE