Maximizing Revenue Through Better RevOps

A guide to help scale the operations of your B2B SaaS company.

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INTRODUCTION

B2B software companies have become universally measured against one metric. ARR, or Annual Recurring Revenue. In the pursuit of growing ARR, a software company needs to build operational efficiency across all departments, not just sales, and marketing.

This guide will provide a clear path of when and how to adopt better business practices to maximize your potential across the main operational functions in your company:

- Marketing
- Sales
- Delivery
- Support
- Customer Success
- Subscription & Billing

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WHAT IS REVENUE OPERATIONS?

Traditional businesses depend on customers paying them for a service. To support these customers, businesses organize themselves into departments overseeing different operations – which may work out fine in the beginning, but as the business grows, so do information gaps and duplication of efforts. It is easy to see why this model isn't the most cost-efficient way of running a business, with a lack of communication between departments also leading to revenue leakage.

Enter RevOps, a portmanteau of the words Revenue and Operations, representing a holistic approach designed to break down these silos across the full customer lifecycle to, you guessed it, optimize revenue.

While RevOps has become a buzzword in recent years, usually the implementation focuses on the Marketing, Sales, and Customer Success teams. TekStack believes that RevOps is greater than that. All the functions that touch customers should be included when building your RevOps team. This is because, in the B2B SaaS industry, software companies constantly need to earn their customer's business.

Implementing a RevOps function is beneficial to all companies, regardless of size or age, and this Maturity Model provides a guide on scaling the operations of your company as it grows.

At the end of this guide, we list all the metrics and business processes that a company needs to consider to maximize its ARR growth.

THE MATURITY MODEL FOR B2B SOFTWARE COMPANIES

Every software company will slot into one of five stages of operational efficiency. The goal is to get each function operating at peak performance. When you achieve this, the following will happen:

✓ Your company will find more selling opportunities, in a cost-effective manner.

✓ Your company will increase its win rate, winning more deals.

✓ Your company will be able to make informed, data-driven decisions around R&D priorities.

✓ Customers will be onboarded faster and have a more consistent experience with your team.

✓ Your teams will be able to identify customers that are struggling so they can fix problems.

✓ You will be able to onboard new team members faster.

✓ Your teams will be able to focus on customers that want to invest more with you.

✓ Your finance teams will be able to invoice efficiently ensuring there is no revenue leakage.

The Five Stages of RevOps Maturity

Companies can achieve and be optimized at lower revenue levels, this chart just shows a graduated approach towards achieving that optimization.

| | Initiate | Apply | Elevate | Optimize | Analyze |

Chart revenue levels: +, $20M, $10M, $5M, $1M

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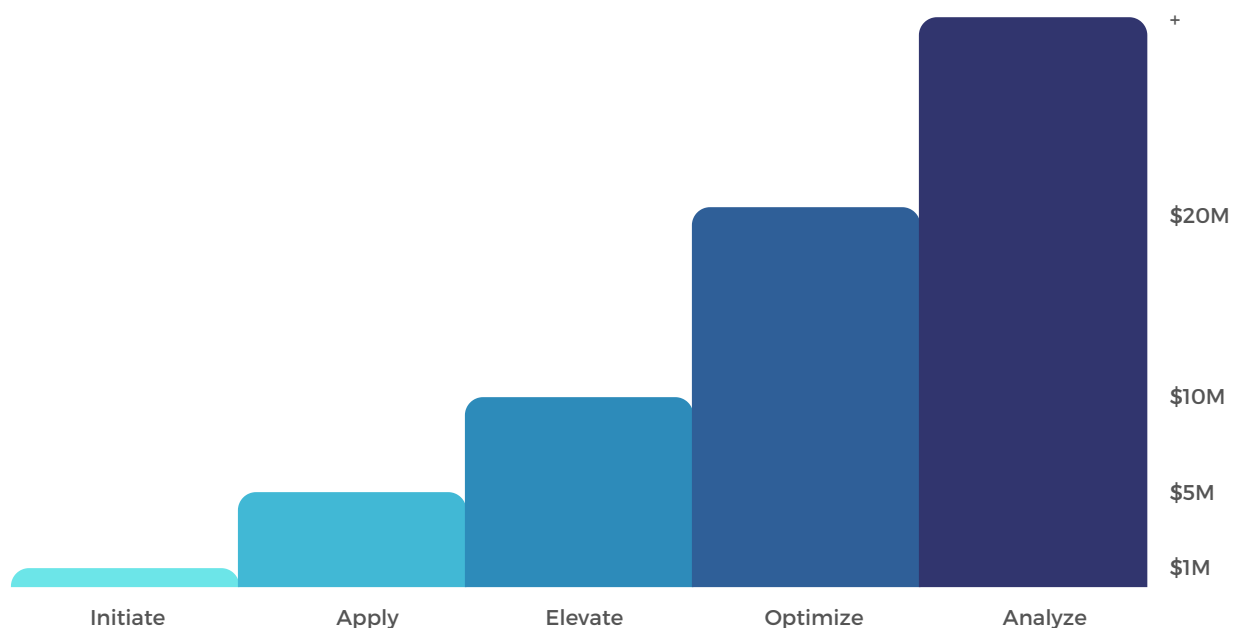
STAGE 1:
INITIATE

This is the earliest stage in a software company's journey. The goal is to achieve product-market-fit on the journey to hitting the first $1M ARR. There is limited investment in internal tools or processes, the focus is on building a product and adding the first customers. Achieving this goal also makes it that much easier to procure funding to further the growth of your business.

In order to help your business stay on track, your business needs a strategy and plan to create a strong foundation. Your plan should also create a 3-year financial model to help you make more informed decisions about your business as well.

What Tools do I need to think about at this stage?
- Ability to manage contact and account information.
- Ability to track opportunities and lead source of those opportunities.
- Ability to invoice and track expenses.

What Metrics do I need to track?
- ARR Bookings
- TCV Bookings
- ARR Run rate
- Win Rate %
- Opportunity Creation by Lead Source
- Cash burn

Operationally speaking, what does a company at the Initiate stage have in place?

Function	What should be in place?
Marketing	Market Strategy: • Identify ideal customer profile. • Define an addressable market size. • Defined buyer personas and business pain. • Competitive battlecards. • Value proposition and market positioning. Website Minimal social presence
Sales	Founder-led sales
Delivery	Team effort, no formal onboarding process, do everything to get the job done
Support	Combined with the delivery team
Customer Success	N/A
Subscription & Billing	Manual process

TIP: CHECK OUT THE PRAGMATIC MARKETING MODEL IF YOU WANT A TEMPLATE TO BUILD MARKET STRATEGY DOCUMENTS.

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APPLY

As companies round the corner on product-market fit, the goal is to begin to scale, with a special emphasis on investment in sales and marketing functions. The main goal here is to build a funnel and add customers as quickly as possible.

A key metric; Identify how quickly your funnel is growing, period over period. This can be expressed as the opportunity value being created, but equally informative is the count of new opportunities being created, trending over time.

It is also important to understand the function of marketing at this stage. Most of your buyers are not necessarily in a buying cycle, so your marketing investment here will be focused on education and increasing awareness, so when they are ready to engage in a buying cycle, they know about you. The recommended approach here is to invest your time and money in a solid organic program, with thought leadership content, rather than on paid ad programs that require significant investment and may fail because positioning is not quite nailed down as yet.

Your sales function graduates to account-centric activities, and you begin to hire dedicated Business Development Representatives (BDRs) and Account Executives (AEs). At the Apply stage, it's helpful to include templates for your team to use in the sales processes. The content produced by the marketing team can double as tools for your selling team.

Delivery focuses on a standardized project plan and an emphasis on successful customer deployment, regardless of the cost of those deployments.

This is not the time to be focusing on your gross margin – but rather, getting customers live on your product and building templates that can be used in the future. Customers that are not live are not sticky, and your 'non-live ARR is revenue that is at risk. Also, live customers will invest more with you and can serve as references for future customers.

Similar to your Sales function, your Support team should also get dedicated hires, who are able to track tickets and cases. You start building a succession model, today's support agents are tomorrow's customer success or implementation teams.

What Tools do I need to think about at this stage?
- Ability to track support cases
- Ability to track projects
- Ability to create outbound sales motions efficiently
- Connecting web site to CRM so that you can process inbound activity
- Ability to launch email campaigns and execute on events like webcasts

What Metrics do I need to track?
- Outbound Sales Activity tracking (calls, emails, touches, booked meetings, demos)
- Sales Velocity
- ARR Growth
- Sales Efficiency
- Live ARR
- Number of Customer's live
- Number of Projects
- Project Health
- Customer Sentiment (NPS and CSAT)
- Support cases per month
- Escalated Cases

STAGE 2: APPLY

Characteristics of a company at the Apply Stage

Function	What should be in place?
Marketing	• Marketing Program that balances education, awareness programs with a demand-gen mandate. • Lower emphasis on paid ad programs, higher emphasis on organic programs. • Focus on leading metrics, and begin tracking first touch attribution, and conversion.
Sales	• Graduating from founder-led sales, the focus should be on-demand generation activities with particular emphasis on account-centric strategy. • Outbound sales activities are the lowest cost option to opportunity creation and should be the focus for B2B SaaS companies. • Begin to hire BDRs and AEs. • Establish important sales templates like discovery questions, objection handling, and alignment letters for follow-up. • The sales process should be more defined and require key information at specific stages.
Delivery	• Focus on a standardized project delivery plan. • Emphasize successful customer deployments at the expense of services gross margin. • Show an ability to deliver a fixed outcome project for a fixed fee.
Support	• Begin delineating the support process from services. • Define a support agreement that includes SLA, entitlements. • Be able to track tickets/cases.
Customer Success	No formal process.
Subscription & Billing	Manual process.

Tip: Don't be afraid to replace any existing tools or processes that got you to this stage. Just because they helped get you to this stage, doesn't necessarily mean that they are the tools or processes to get you to where you want to go: there is no RevOps resemblance between your first $1M ARR and your next $30M ARR at all!

If migrating data is your concern, fret not, this can be easily done, especially so at earlier stages where data hygiene is probably suspect anyways.

ELEVATE

The Elevate stage is all about creating repeatable processes. This is where you identify the company's strengths and exploit them in a super-charged way.

In **Sales**, you will need repeatable tools, a standard set of processes, and steps that align to each stage of the buyer's journey. As an example, a BDR should have standard procedures for calls, emails, discovery questions, follow-ups, standard objections, identify opportunities. For AEs, the stages of your sales should also be clearly delineated, and the process on how to move a buy from one stage to the next.

The **Elevate** stage is also where you should be able to generate forecasts with accuracy, provide a reliable prediction for the business so that you can do cash planning. You'll also be able to understand your funnel conversions. For example, the number of leads that are required to generate opportunities, that generate new customers.

In **Delivery**, Elevate is where you start looking at key metrics like backlog and team utilization, as well as important processes like resource scheduling. You are able to track project profitability. You can begin to identify why certain projects are profitable and others are not. There are formal change request processes in place. Your sales teams can quote projects without any input from services unless there is a deviation from the template.

The Elevate stage is where you start to make some decisions about services. Do you want to have a strategy that transfers all services revenue into recurring subscription revenue and run services at a loss, or do you run services as a 0% gross margin function, or do you generate profit from services efforts? These questions can only be answered when you have a mature onboarding process and the ability to track results.

In **Support**, you start looking at first touch resolution, customer profitability – this is also the stage where you introduce the Customer Success function, and hire someone who is solely responsible for this function, with a focus on retention (Reflected as a percentage of customer count, or customer revenue that is retained from one year to the next), and churn (the amount of lost revenue over the recurring revenue that you started within the period). While this isn't an easy metric to measure, it is an important metric to get in a timely manner. If there is a problem, you need to identify it now and resolve it.

There are two new functions that are important at this stage:
- Billing. The ability to effectively invoice customers without significant effort. This is for software subscriptions and any services.
- Subscriptions & Renewal Management. The ability to accurately calculate deferred revenue, and to generate renewal opportunities automatically based on upcoming renewal dates.

STAGE 3: ELEVATE

Introducing Customer Success

Customer Success becomes a dedicated function in the organization. It may have already evolved at this point, but usually through heroic efforts, and not with any defined repeatability or process. Two goals:

- Maximize retention.
- Sell more to customers.

Here we focus on the first step of being able to segment customers. Start to think about which customers you should invest time with and provide the "human touch". Not all customers can receive the same attention. It's not a case of being able to assign 100 customers to each customer success manager. You need to focus 80% of your time with 20% of your customers that will drive 80% of your success.

What additional Metrics do I need to track?

- Funnel Conversion
- Sales Efficiency
- Cost per Lead-by-Lead Source
- Cost per Opportunity by Converted Lead Source
- Sales Leaderboard
- Customer Retention
- Net Churn
- Gross Churn
- Lifetime Value
- Customer Acquisition Cost
- Relationship Strength Index
- Relationship Depth Index
- Customer Health
- Customer Gross Margin
- ARR by Customer Segment
- ARR by Product
- Win Rate by Product
- Project Profitability
- Project Budget to Actual
- Project Backlog
- Team Utilization
- Case Aging
- Cases by Product
- Cases by Subject
- First Contact Case Close Rates
- SLA Performance

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STAGE 3: ELEVATE

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Characteristics of a company at the Elevate Stage

Function	What should be in place?
Marketing	- Well-defined strengths and market position, focusing lead generation efforts in markets with high conversions using cost-effective channels. - Can communicate a marketing calendar to stakeholders. - Automated nurture and lead management campaigns. - Lead Scoring engaging with qualified buyers at the right time. - An account-based approach that is well integrated with sales and uses intent and targeted selling motions.
Sales	- Fully delineated sales roles. - Sales onboarding plan with a predictable timeline to quota attainment. - Sellers can generate quotes using standard product pricing for software and services. - Opportunity stages follow a predictable timeline and are consistently applied across representatives. - Data is available to effectively coach the sales team and weed out underperformers early. - Forecasts can be shared with the finance team and provide some range of predictability.
Delivery	- Can schedule resources based on skill and availability. - Manage and load balance team utilization. - Track risks, actions, issues, key decisions on projects. - Track project profitability. - Manage project change requests and see the impact on financials. - Forecast services revenue based on project schedules. - Recognize services revenue based on progress.
Support	- Track cases with missed SLA. - Provide customers with online knowledge articles as a means to self-serve and case deflect. - Tiered support agents providing triage agents with access to similar cases, case history, and the option to send knowledge articles. - Be able to track average case age, cases by project.
Customer Success	- Introduce a new dedicated role. - Hero mode. - Start thinking about classifying customers into segments.
Subscription & Billing	- Fully integrated order process from CRM to Accounting. - Subscription revenue is tracked as a byproduct of CRM Order. - Ability to Co-Term subscriptions. - Automated Invoicing with Invoice Terms.

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OPTIMIZE

By this point your organization has:
- Product-Market Fit.
- A well-defined ideal customer profile, and buyer persona.
- A well-oiled marketing machine that is predictably generating interest and educating buyers.
- A sales machine where you can predictability onboard new reps, predict funnel attrition, funnel velocity, and forecast the business.
- Automated the renewal process.

Now the focus in Optimize is to absolutely master customer success. We want to have a customer segmentation strategy, well-defined playbooks, and customer health scoring. We want to maximize key metrics including retention, and net churn rate. Where do we start?

Classify customers into segments

If you have hundreds of customers, you can't expect to have a small customer success team drive customer success for each customer equally. You need to pick your battles. This is where customer segmentation comes into play. The idea is to spend 80% of your time on 20% of your customers. For the remaining 80% of your customers, rely on automated playbooks and nurture campaigns. There are a number of strategies for segmentation, but ideally, you can map your customer into one of four boxes based on two variables. Align ARR to segment and see the 'long tail' of ARR.

Playbooks

There are a number of key playbooks you will want to define, and ideally, these definitions become automated in your CRM system.

Think about the following playbooks:
1. Renewals. The old strategy of sending a renewal invoice three months early is no strategy at all. Renewal playbooks allow you to get ahead of the conversation.
2. Customer-at-Risk. There are a number of triggers that mark a customer at risk. But whatever the event that marks a customer at risk, make sure the organization has a clear and agreed play on escalating response and corrective action.
3. Customer Onboarding. The early communication right after the customer signs an agreement can stave off the natural emotion of remorse or regret, common in everyone after making a big decision.

Automate Marketing Campaigns

An integrated marketing automation capability will automatically add new customer contacts (to automated email campaigns that are oriented to existing customers. This audience could be segmented even further by role, or area of interest.

Relationship Strength

If you have hundreds of customers, how deep is your relationship with each customer? (i.e. do you know the executive sponsors?), and more importantly, when was the last time you spoke with them? This drives relationship strength and relationship depth.

This index can be looked at by a Customer Success Manager to find out where there are relationship issues.

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STAGE 4: OPTIMIZE

360˚ view of the customer

At the very least, the organization should have access to key information about the customer without having to make a phone call or ask someone in another department:

- Current ARR
- Go-Live Date
- Customer Since Date
- NPS Score
- Gross Margin
- Status of Projects
- Status of Cases
- Status of Invoices

Run automated marketing campaigns to customers

Communication is key - your marketing automation should not end when the customer signs on. Run marketing campaigns to existing customers to educate them and create awareness of customer programs. Track engagement of these campaigns.

Define a customer health program

Customer health can be represented as an indexed score, or simply as a temperature. Our recommendation is to use a simple temperature read, e.g. Red, Yellow, Green. Really, is your response to a customer score going to change if it goes from 83 to 79? Probably not. However a move from Green to Yellow should prompt a notification, and Yellow to Red should instigate a Customer-at-Risk playbook.

What should constitute this scoring algorithm?
- Customer Sentiment. We like Net Promoter Score for this.
- Telemetry. Are they still using the product? Did new users get added?
- Invoice balance. Have their invoices been left unpaid?
- Customer Relationship Index. Have we identified key contacts, have they engaged in the last 30 days?
- Severity One Issues missed SLA. Has your support team not met an SLA for a Severity One issue?

You might have other data points you want to consider. The key is getting this information into a common data store so that you can kick off corrective action in the form of playbooks or notifications.

What Tools do I need to think about at this stage?
- Customer Segmentation
- Automate playbooks
- Building a Customer Health definition

What additional Metrics do I need to track?
- Customer Retention
- Net Churn
- Gross Churn
- Relationship Strength Index
- Relationship Depth Index
- Customer Health
- Customer Gross Margin
- ARR by Customer Segment
- ARR by Product

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ANALYZE

Congratulations, your company is now amongst the very best performing B2B SaaS companies on the planet.

You are a top-performing company achieving the "Rule of 40." A combination of ARR growth percentage and EBITDA percentage that equals or exceeds 40. These are the most efficient software companies that receive the maximum valuation.

At this stage, you are able to reliably forecast the business, from a bookings perspective, but also cash and revenue perspective.

You are aligning costs and revenue in the business.
- You can make data-driven decisions about products.
- You know that hiring a new sales rep will impact the funnel growth in x weeks, and sales success in y months, z% of the time.
- You know that investing $x in a specific marketing program will yield $y in sales bookings n months from now.

You are a top-performing organization that can scale. You don't need to rely on founder heroics. Your management team can think about vision, hiring, and working outside-facing roles versus operational roles.

You've made it!

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REVOPS CHECKLIST

	Initiate	Apply	Elevate	Optimize	Analyze
Marketing					
Customer profile and buyer persona	✓				
Track first touch and conversion		✓			
Integration with Sales		✓			
Marketing calendar			✓		
Lead scoring			✓		
Efforts focused on high conversion markets			✓		
Account-based targeting			✓		
Integrated marketing automation				✓	
Predict sales revenue by marketing investment					✓
Sales					
Basic CRM	✓				
Opportunity Tracking	✓				
Inbound Lead Tracking	✓				
Dedicated BDRs and AEs		✓			
Sales Templates		✓			
Outbound sales focus		✓			
Processes aligned to stages in buyer's journey			✓		
Accurate sales forecasts			✓		
Onboarding plan			✓		
Automated playbooks			✓		
Customer segmentation				✓	
Situational playbooks				✓	
Forecast sales success with new hires					✓
Delivery					
Project Tracking		✓			
Automated project updates		✓			
Standardized project delivery plan		✓			
Resource scheduling			✓		
Change request management			✓		
Forecast and recognize sales revenue			✓		
Analyze team utilization				✓	
Track project profitability				✓	
Data driven product decisions					✓
Support					
Support agreements		✓			
Customer portal		✓			
Multiple channels for customer support		✓			
Onboarding			✓		
Tiered support agents			✓		
First touch resolution			✓		
Customer health program				✓	
Customer Success					
Net Promoter Score		✓			
Automated Renewals		✓			
Defined internal collaboration process		✓			
Dedicated role			✓		
Customer segmentation				✓	
360˚ customer view				✓	
Relationship index				✓	
Subscription Management & Billing					
Basic Accounting	✓				
Track subscription revenue in CRM		✓			
Company-wide access to full customer record			✓		
Automated order tracking, invoicing, renewals			✓		

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METRICS AT A GLANCE

	Metrics
Initiate	• ARR Bookings • TCV Bookings • ARR Run rate • Win Rate % • Opportunity Creation by Lead Source • Cash burn
Apply	• Marketing Leading Indicators • Outbound Sales Activity tracking • Sales Leaderboard • Quota Attainment • Sales Efficiency • Sales Velocity • ARR Growth • Live ARR • Number of Customer's live • Number of Projects • Project Health • Customer Sentiment (NPS and CSAT) • Support cases per month • Escalated Cases • Cases by Agent
Elevate	• Funnel Conversion • Sales Efficiency • Cost per Lead-by-Lead Source • Cost per Opportunity by Converted Lead Source • Lifetime Value & Customer Acquisition Cost • Win Rate by Product • Project Profitability • Project Budget to Actual • Project Backlog • Team Utilization • Case Aging • Cases by Product • Cases by Subject • First Contact Case Close Rates • SLA Performance
Optimize	• Customer Retention • Net Churn • Gross Churn • Relationship Strength Index • Relationship Depth Index • Customer Health • Customer Gross Margin • ARR by Customer Segment • ARR by Product

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TekStack works exclusively with B2B software and service companies. All of the tools and metrics contained in this guide are delivered from TekStack right out of the box. Our product helps reinforce best business practices across all your departments.

Most importantly, everyone in the company has access to information to make data-driven decisions. The entire customer lifecycle is available from a single platform which in the end makes everyone's job easier and reduces investment in tools so you can spend that money on more important things.

Our platform is based on Microsoft technology like Power Apps, Power BI; and works with tools your company may be using everyday like Office 365, and Microsoft Teams.

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