kalaari capital

India SaaS: Founder Playbook

0 TO 1

Insights from leaders on
building SaaS from Scratch

0 to 1 India Saas:
Founder Playbook

Foreword from Vani Kola

MANAGING DIRECTOR, KALAARI

The Indian IT Services industry spawned India's global positioning as a technology knowledge partner. As the next wave, Indian SaaS companies will create leading global businesses.

Today, IT Services companies from India generate over $200B in revenue. **The India SaaS ecosystem can only dream bigger.** In the next decade, SaaS companies from India have the opportunity to unlock over $600B in market value.

With Indian SaaS companies hitting $12B ARR in 2022 (compared to $2B in 2018), **India SaaS is truly unstoppable**. In the past few years, these companies have proven themselves as formidable global competitors, not just matching but also **surpassing their global peers and setting the standards for the industry**.

Today, India is the fastest growing and second largest SaaS ecosystem in the world – with almost 100 SaaS startups generating over $15M in ARR. **By 2026, we expect Indian SaaS companies to hit close to $30B in ARR**.

At Kalaari, we are active investors in SaaS. We have always been proponents of the opportunity and supporting early-stage founders. **This report is a culmination of our efforts to support the next generation of founders in accelerating their learning from those who have walked the path before.**

If you are interested in supporting our podcast series or other initiatives in SaaS, feel free to reach out to us.

Introduction

Today, as new founders begin to build category-defining companies in SaaS, we wanted to democratize access to knowledge. Through our SaaS from Scratch speaker series, we curated deep insights to help young SaaS founders learn the tools of the trade from successful leaders who have helped scale SaaS companies.

This playbook is a guide for the Zero-To-One SaaS journey – important lessons, challenges, and frameworks from Indian SaaS leaders.

Minimum Viable Product.

with Raviteja Dodda
Founder & CEO, Moengage

ABOUT MOENGAGE

moengage

MoEngage is an insights-led customer engagement platform for customer-obsessed marketers & product owners. From F500 enterprises to mobile-first brands - MoEngage has helped amplify customer engagement for all.

WHAT RAVITEJA SAYS

“My philosophy is, everyday in the morning, if you’re not excited about what you are doing then its time to start thinking about doing something new”

Decoding Minimal Viable Product

1. Beta testing:

In SaaS businesses, it is best to create a beta product (example: Figma representation of your product) to get the market's feedback. The feedback on the beta will help you narrow-down "must-have" features that users will pay money to use. Beta testing is the fastest way to collect market insights and efficiently develop the product.

2. Building products in established markets vs. building in a new category:

When you have a superior product in an established market, time spent on educating customers reduces massively. Here, approaching the market soon makes more sense than waiting. For a category-creating product, it is important to spend time educating customers, understanding customer feedback, and then incorporating relevant feedback into your product.

> The MVP is the smallest thing you can build **that delivers customer value,** and as a bonus captures some of the value back.
>
> - Eric Ries, author of The Lean Startup

3. Scaling the MVP to different geographies:

As you expand to different geographies, finding PMF for your product becomes challenging. To establish PMF for the MVP in each geography, it is important to understand region's cultural nuances. Once you understand these nuances, speak to customers to ascertain whether the market is ready for your product or if your customers need to be educated.

4. What is most critical for your MVP:

For the 0 to 1 journey, it is most important to have the right set of initial customers. To help validate your MVP, choosing everyone as your customer might not yield best results for future scale. The right customers will help you understand user journeys and will help you get from MVP to the right product which can lead to repeatable sales.

MVP in the Context of **Fundraising**

A minimal viable product (MVP) is a product that has the minimum set of features needed to be released to the market and be used by customers. While an MVP may not be required to raise an initial seed, it is the best way for startups to quickly test their product. Gathering and sharing feedback from customers on the MVP with investors can be an effective way to showcase product value to investors.

Key points to consider when **building a successful MVP** as a SaaS startup:

- **Identify the core value proposition of your product**
  and focus on building the features that are most essential to delivering that value to customers.
- **Prioritize simplicity and ease of use in your MVP**
  Aim to create a product that is intuitive and straightforward for customers to use, even if it has a limited set of features.
- **Use feedback from potential customers**
  to inform the development of your MVP. Conduct surveys, interviews, and focus groups to gather insights and ideas from your target market.
- **Be transparent & honest with customers**
  about the limitations and capabilities of your MVP. Make it clear that it is a work in progress and that you are actively seeking feedback to improve it.
- **Keep an eye on your competition andthe latest trends**
  in the SaaS industry to ensure that your MVP remains competitive and relevant.
- **Be prepared to iterate and improve your MVP**
  based on customer feedback and market demand. Be willing to pivot and add new features or adjust your product's direction if necessary.
- **Test your MVP with a small group of early adopters**
  to identify any issues or areas for improvement before launching it to the wider market.

Additional Resources

SaaSMantra Blog on MVP

The real cost of developing an MVP

SaaSTr on Minimal Selling Product

Kalaari SaaS From Scratch: Decoding MVP Podcast

Product Market Fit.

with Sourabh Gupta
CEO & Co-Founder at Skit

ABOUT SKIT

skit

Skit.ai is an Augmented Voice Intelligence Platform. Skit helps businesses modernize contact centers and enhance customer experience by automating and improving voice communications at scale.

WHAT SOURABH SAYS

“The hardest days were the early days, right out of college, where we were trying to sell to large enterprises. My attitude was do everything it takes to win a customer. Once, at 1AM, we found out that a large tech company was trying to beat us to a deal with a large bank. I immediately booked a 7AM flight the same day and was outside the customer’s office to close the deal.”

Decoding Product Market Fit

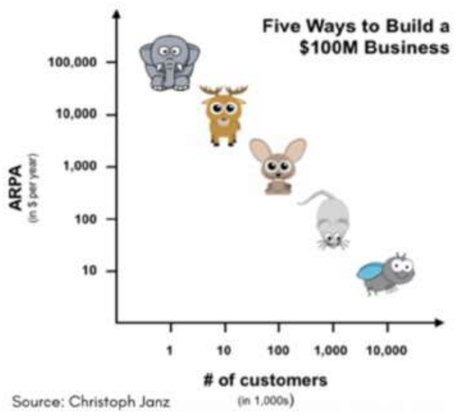
> First to market seldom matters. Rather, **first to product/market fit** is almost always the long-term winner.

1. Signs of PMF

Paying customers or growth in sales is not always the best measure of PMF. The strongest indication of PMF is customer success. If your customers see tangible ROI from your product and are sharing positive testimonials, it is a strong indication of product market fit.

2. Defining initial GTM strategy before PMF

The strategy depends on are you hunting elephants or are you hunting rats? If you have a large sales team selling to large businesses then you should price your product in 6-fig USD. If you are selling at $2–10K ACVs, you need a low-cost marketing engine running repeatable tasks.



3. Reaching initial customers

Initial customer sales pre-PMF have to be founder-led. The ideal scenario is to meet your customers face to face. However, if that's not possible cold calling and sending cold emails are still a very underrated channel for reaching out to your customers. You want to make sure you are present in every event, summit or workshop your customers attend.

4. Zero to one with initial team

In the early days, pre-PMF, optimise for generalists. These are ideally people who have worked in multiple roles before like sales, marketing, product, etc. For Skit, we had 2 types of people – people who could write code and people who would do everything else.

5. Red flags pre-PMF

A high churn rate is a clear indication of not finding product-market fit. Raising money won't help bring down the churn rate. So, fix these problems before you approach investors.

6. Founder priorities

Before PMF, the one singular thing that matters is PMF. To achieve PMF you need two things – (1) constant experiments that validate your hypothesis about the market (2) talking to your customers

PMF in the Context of **Fundraising**

In order to hit PMF, you do not need perfection of product, large revenue or a large customer base. At Kalaari, while we are willing to fund Seed without PMF, we are rarely willing to follow-on or invest in Series A or beyond without a proof of PMF. As a rule of thumb, founders should focus on achieving PMF before raising growth rounds to scale the business.

How do you know you have **hit PMF?**

1. Revenue & growth

Double-digit growth when you have hit $10K MRR is an indicator of PMF (Source: SaaStr) Additionally, an increase in ACVs per customer or an increase in usage or accounts per logo can be an indicator of PMF.

2. Customer validation

Survey existing users to understand 'how they would feel if they could no longer use the product?' According to Stephen Millard and Joshua Olusanya, if over 40% of users say 'very disappointed' you have hit PMF (Source: Notion VC, PMF frameworks) In other words, hit +40% customer NPS.

3. Marketing spend

Ideally, in the earliest, stages of the product development process pull is happening organically (i.e., without any advertising spending) One of the most common ways that startups die is "premature scaling," a term first used by Steve Blank. A business is "scaling prematurely" if it is spending significant amounts of money on growth before it has discovered and developed PMF.

Additional Resources

Andrew Chen:
0 to PMF

Lenny's Newsletter:
How to know if you've got PMF

Kalaari SaaS From Scratch:
Decoding PMF **Podcast**

Go-To-Market.

with Neeraj Rajan Rout
CEO & Co-Founder, Hiver,
& Girish Ramachandra
CEO & Founder, Shopalyst

ABOUT SHOPALYST

Shopalyst re-imagines how digital consumers discover and purchase products with technology and data infrastructure that help friction free purchases from any digital moment that inspires shopping.

WHAT GIRISH SAYS

"Most important thing for early-stage founders is to be able to find the right network of people who you can use as a sounding board and who will challenge you in the right way."

ABOUT HIVER

Hiver is a customer service platform for Google Workspace. Hiver helps +1500 companies, ranging from new-age unicorns to traditional enterprises, deliver a better customer experience.

WHAT NEERAJ SAYS

"One of my earliest learnings was that if a customer is happy, they will not churn overnight overnight because a feature is missing"

> The ability to execute a solid GTM strategy is what separates successful SaaS companies from the rest.

Decoding Go-to-Market Strategy

1. Building initial GTM:

In the early days, GTM strategy for any SaaS startup has to be a founder-led sales engine. Post that, depending on the type of product, figure out the best GTM strategy for your product (outbound or inbound marketing) through experiments. Double down on channels that provide the most ROI.

2. Getting customers to pay

At times, founders delay asking for money from customers during pilots. Founders assume they should ask for money after multiple pilots with the customer. However, asking for money is critical and should be done as early as possible. For larger enterprises, it may be tough to trust an early-stage startup so varying pricing structures might be an option. For example, charge a base fee and take a cut of the performance. It is important to be flexible with pricing so that you don't leave any money on the table.

3. Pitching to prospects

Best way to explain the value proposition of your product to prospective customers is through numbers linked to ROI. Help customers foresee success in numbers and then demand a price accordingly.

4. GTM experiments

In the early stages, founders are the only ones running GTM experiments, therefore the scope is limited. However, later in your journey experimenting with affiliates, partnerships and outbound marketing can be extensively tried. It is important for founders to not try too many GTM experiments at once and keep the number to 2-3 with quality resources leading initiatives.

5. Scaling after a few paying customers

The first sign of growth after a few paying customers is when you have repeat customers. The next sign is when your existing customers are ready to refer you to another set of customers via word of mouth. These are a couple of indications to press the foot on the accelerator and grow in the market.

6. Optimising product feedback

It is important for founders to know that if customers are satisfied with the product, they won't leave the product because 1 or 2 features are missing. Founders need to strike a balance between features that customers want and the product they want to build. Sometimes there is a huge difference and sometimes it's just incremental features so figure out what works best for you and act accordingly. One way to tackle product feedback from customers is – once in a while, show your customers a future design prototype of the product without building it, if the feedback is positive, start building.

7. GTM for global vs Indian customers

For a SaaS-based product, the customer profile largely remains constant throughout the globe. However, depending on the geography, nuances in pricing will occur. In some geographies, the buyer is not the user of the product. Therefore, it is important your product aligns with all the product stakeholders. Additionally, certain geographies require a lot more hand-holding than others so resources in terms of customer support can prove extremely crucial.

8. Opportunity for Indian founders in SaaS

Post Covid, we have seen a massive scale-up in 'online-first' buying. This means that Indian founders and sales people do not necessarily have to be present in international geographies they are selling to. Most SaaS business transactions have the potential to happen online – lowering the barriers to entry & growth for Indian SaaS founders.

GTM in the Context of **Fundraising**

Typically, a significant portion of capital raised at Series A or beyond should be directed towards sales & marketing. To prove the business can scale post PMF, founders should showcase initial success of the GTM approach. During investor conversations on GTM, it is crucial for founders to know (1) Ideal Customer Profile, (2) Key Product Users vs. Key Decision Makers or Buyers of the product (3) Sales Cycles.

Sales Cycle **Benchmarks**

Jason Lemkin on B2B SaaS sales cycle lengths based on annual contract values:

1. Deals < $2,000 in ACV should close on average within 14 days.
2. Deals < $5,000 in ACV should close on average within 30 days.
3. Deals < $25,000 in ACV should close on average within 90 days.
4. Deals < $100,000 in ACV should close on average within 90-180 days depending on # of stakeholders and gates.
5. Deals > $100,000 in ACV will take on average 3–9 months to close. They can take the better part of a year, as these purchases are budgets on Annual cycles. Some deals will be faster, some shorter. This is an average

Additional Resources

SalesHacker – Go-To-Market Blog

B2B SaaS GTM has been disrupted forever

"SaaS GTM Checklist" from the Hubspot blog

Modern GTM Playbook for B2B SaaS

Problem Awareness by Nick Reese

Kalaari SaaS From Scratch: Decoding GTM Podcast

Product Thinking.

with Anand Jain
Co-Founder & Product, CleverTap

ABOUT CLEVERTAP

CleverTap helps app-first brands personalise and optimise all consumer touch points to improve user engagement, retention, and life-time value. CleverTap is trusted by 2000 customers.

WHAT ANAND SAYS

“For every successful idea that does not seem like it pivoted there are a lot of micro-pivots. These micro-pivots come from interacting with your own customers and understanding them better. Micro-pivots are not dramatic moves, but small, incremental moves that will help you succeed in the long-term.”

> Product development is not about perfection, but about iteration.

Decoding Product

1. Validating a product in the early days

While validating a product it is important to frame a basic hypothesis. Validate the hypothesis by speaking to a lot of customers. When you speak to customers, you will realise your product will have multiple micro-pivots. A sense of micro-pivots helps founders understand the product better and makes the customers feel validated.

2. Knowing what the customer wants

There is a debate about whether founders should ask customers what they want or should simply innovate for the customer and test the response. In most cases, customers know what they want. Therefore, asking them is the best way out.

3. Releasing a perfect product

Another debate is whether founders should wait for the perfect product or should release an initial product, test, and iterate. The answer depends on the kind of product. For example - if the product bugs can potentially harm a customer's business, it needs to be fixed. However, if the product has a lower impact on customer revenues, business, or day-to-day function (example: the product's design language) – the product feature can be polished based on feedback at a later stage.

4. Hiring talent for product roles

To hire talent for product roles, the strategy is dependent on the stage of the company. If you are below $5M in ARR, the founders are the product managers. As you scale to $25M-$30M, you then have a customer support team, tech account manager and further niche roles. To avoid hiring mismatch, in the early days give your tech team a front-facing (or customer-facing) role to solve the problem better for your customers.

5. Laying the product roadmap

Anand's framework for the product roadmap.
First, listen to your customers and implement the features they are asking for. There is a higher chance if one person asks for it, the applicability of the features is valid in more than 1 places. **Second**, is the speed. If the feature requested from customers, is already in your roadmap for the next 12 months then move the feature up on the priority list. **Lastly**, get "star customer" testimonials for each "requested" product feature.

6. What sets you apart in the 0 to 1 journey?

To understand what sets you apart, it is important to understand what does not set you apart. Funding and marketing won't set you apart. What sets you apart will be customer focus, team focus, and direction focus.

Kalaari SaaS From Scratch:
Decoding Product Podcast

Early Founding Teams.

with Shruti Kapoor
CEO & Co-Founder, Wingman

ABOUT WINGMAN

wingman

Wingman is a conversational intelligence platform for sales teams that helps identify revenue leak and drive revenue precision for B2B sales organisations. Wingman was acquired by Clari in 2022.

WHAT SHRUTI SAYS

“We were conscious from Day 1 that the first 10 employees of the company were going to have the greatest impact on the culture of the company. So, when we went through the process of early hiring, we were deliberate about their principles and quality of work. We wrote down 3 core principles of company culture we wanted at Wingman, and began hiring for those 3 principles.”

> The best teams are not made up of people who need each other. The best teams are made up of people who trust each other.

Decoding Early Founding Teams

1. Finding the right co-founder:

Increase the number of people you meet! You can meet new people through personal networks, events, founder communities, and forums. Always broaden the funnel at the top and then be selective; instead of making a selection from the few choices you have explored.

2. Building a strong founding team

a. To build a productive founding team relationship, start with assigning distinct responsibilities to each founding team member. Ensure everyone owns and drives a specific piece of work.

b. One of the biggest reasons startups fail is because of the founder conflict. Have a conversation with the founding team about how different people react to conflict, criticism and feedback. This exercise will ensure everyone on the team knows how to navigate conflict with specific people.

c. Relationship building is key to the success of any team. Personal relationship building is a constant process – never stop proactively building bonds with each member of the team.

4. Difficult conversations with founders

Difficult conversations usually include - What is the definition of success for each co-founder? What is our purpose? What happens if the product doesn't work? What is the stipulated timeframe for success? What is the equity split between the founding team? etc. The answers to such questions will change from time to time. Therefore, periodic professional discussions on such topics is important.

5. Mentorship for the founding team

Not always necessary. However, can prove important for external, objective feedback during conflict or tough situations. Make sure you incentivise mentors for their efforts – mentors with skin in the game (for example, equity) will be willing to spend time and efforts to help the founding team succeed.

6. Building company culture

The first 10 employees have the most impact on company culture. Be deliberate about the values each new early hire brings to the table. Post the first dozen early hires, ensure at least one core founding team member has a direct relationship with each new employee you onboard.

Early Founding Teams in the Context of **Fundraising**

At Kalaari, we believe the founding team is one of the most crucial elements of success. Founders should aim to build a strong founding team with complimentary skillsets and shared vision. During the zero-to-one journey, it is also crucial to recognise strengthens and gaps in the founding team.

Startup Hiring **Right > Fast**

"You're not looking for tasks they can do this week only. You must have repeatable work for them to take on. You don't want to make the same mistake I made early on, when I hired because I was so busy (right now), without thinking about the ongoing workload (or lack thereof)."
– Brian Casel, Founder at Audience Ops

SaaS Leadership Org Chart (Framework for Seed-Series A companies)

- CEO
- CTO
- Head of Product
- Head of Sales
- Head of Customer Success
- Head of Marketing
- Head of Finance

A startup can have all the potential in the world, but nothing can derail things faster than its "people problems."

In a study about startup performance, venture capitalists attribute 65% of company failures to problems within the startup's management team.

Additional Resources

- SaaS Org Chart
- First Startup Hires
- Building a SaaS Team
- Who should you hire first?
- Your first employee
- A counterintuitive system for startup compensation
- **Kalaari SaaS From Scratch:** Decoding Product Podcast

Early Mentors.

with Ram Gupta
Independent Board Director

Ram has been part of teams that have created market capitalisation of over $15B. He has been part of 3 IPOs and 10 Acquisitions. Currently, Ram serves as an Independent Director on the board of directors of a number of early and growth-stage companies like Postman, Joveo, Simplilearn, HackerEarth, WelkinHealth, and Neeyamo.

WHAT RAM SAYS

“You never do anything alone or by yourself; a whole ecosystem is always there to support you and provide you with opportunities. Any outcome of your journey is the result of the combination of people around you.”

> If you cannot see where you are going, ask someone **who has been there before**.

Decoding Early Mentors

1. What to look for in mentors

Finding a mentor who will be an active participant in your startup journey is crucial. Mentorship is a contact sport where mentors have hands-on involvement in the growth of the business. As a founder, one needs to choose a mentor who is aligned with the startup's values, motivations, and principles.

2. Prioritise skillsets not networks

One of the biggest red flags for founders while choosing a mentor is when they want to be associated with a mentor for their network. Networks are non-transferable assets and are hard to build. It is important to have mentors with niche areas of expertise that complement the founders knowledge and skillset.

3. Compensating a mentor

It is important for founders to have a conversation on compensation with a mentor before onboarding them to the team. Usually, compensation with equity allows the mentor to have significant skin in the game. For some mentors, equity donation to a non-profit or a specific cause can also work out as a form of compensation.

4. What mentors look for

The right mentors look for founders who want to play the long game. Founders who seek to bring about a fundamental change in an industry are exciting prospects for mentors. There is a common notion that mentors are like advisors, however mentors like roles where they are accountable and not mere advisors.

Kalaari SaaS From Scratch:
Decoding Early Mentors Podcast

Unicorn DNA.

with Pranay Agrawal
CEO & Co-Founder, Fractal

ABOUT FRACTAL

fractal
INTELLIGENCE FOR IMAGINATION

Fractal Analytics is a multinational artificial intelligence company that provides services in consumer packaged goods, insurance, healthcare, life sciences, retail and technology, and the financial sector.

WHAT PRANAY SAYS

“Tools to overcome difficult times: First, the ability to show up everyday despite the challenges. Second, the ability to stomach a lot of volatility. In the entrepreneurship journey, there will be several ups and downs (more downs than ups in the early days) but you have to focus on what you can control and keep learning from your mistakes.”

Decoding Unicorn DNA

1. Advice on the zero-to-one journey

The first phase of founding a company will be about persisting and sticking with your idea. Fractal spent the first five to seven years getting to $10M. The initial phase was about learning as founders – learning how to do things yourself in a market you may not have experience with, and learning to sell to and convince companies.

2. Choosing the market

Two schools of thought – build in a mature industry with existing competition or build a greenfield product. Both ways have proven to be successful – Google was not the first search engine, Microsoft was not the first operating software. You need to build a differentiated, innovative product if entering into a competitive space.
On the other hand, Tesla was the first market player in its segment. Building greenfield products in new spaces requires superior marketing and superior product building. It boils down to how passionately you feel about the idea and the problem as well as how much energy (physical and emotional) you are willing to invest. Ultimately, success is going to be a function of the amount of energy the entrepreneur is able to bring to the idea and the business.

> Success is No Accident

3. Early advisors

As founders, the most important thing is self-belief. However, belief should not come at the expense of taking help. Surround yourself with people who can ease the path and make things faster. Find advisors to fill your gaps – on GTM strategy, to find the right networks, even to personal coach you on your leadership and decision making style.

4. Founder priorities

In the beginning, decided to things that do not scale. Deeply understand customer needs. Deep insights that you can then use to scale.

5. Co-Founder relationships

Build trust, prioritize each other, and always have positive intent for each other. Proactive investment in the relationship, using a joint mentor or coach, will improve the entire organization’s performance. Any investment you can make in understanding yourself and your co-founder will pay off.

6. Global sales

Start global sales as early as possible. You have to be in the market you want to sell in, move to the physical geography. Speak to customers in the geography – the best insights will come from speaking to prospective clients. Additionally, start building a local team faster. Setting up a successful sales engine takes time – the earlier you start the faster you can get to a successful outcome.

7. Market opportunity

Is the market large enough? It is important to have some sense of the market size and demand. You want to chase big opportunities vs. smaller opportunities. Effort you spend chasing larger opportunities will likely get better results. At the same time, a large market does not translate into success – you will see lots of competition. During the initial stages, focus on milestones – first $1M or $10M. Set these benchmarks/ milestones to demonstrate that what you are doing is working and this will give you the energy to push for the next milestone.

Fractal's Market Opportunity Framework:
Number of clients that are addressable > $ value creation for those clients > percentage cut of the value creation you can take from clients = total market opportunity today

8. Price discovery

You have to actively discover pricing through conversations with customers. Understand whether you have a product that people want and are willing to pay for. To understand whether customers are willing to pay more or less than expectations – always put a price in front of people and be flexible with the pricing models you come up with. If the market is willing to pay less than what you expect – you may need to change the cost to serve or increase the value delivered. Understand customer value creation (revenue or ROI for the customer) – and charge a % of the value you have created.

9. Constant challenges to think about

- **People:** How to develop talent, how to provide people opportunities they are seeking, how to help people grow and realise their aspirations, how to attract the right talent
- **Culture:** How to scale initial founding team culture, how to engrain client centricity across all teams
- **Staying Relevant:** What you are doing successfully today may not be relevant in the future – the need may be met differently or seize to exist. Do not be afraid of making pivots and expanding product scope

10. Critical for founders scaling businesses

- **Being a founder is a new job at every stage**: Leading 10 people vs. 200 people vs. 1000 people is a different job. Re-invent yourself as a leader at every step of the journey. Initially, founders need to learn how to do everything. Later, founders need to learn how to hire and delegate. As you scale, founders have to think about building systems and processes so everyone in the organisation can work succeed.
- **Constant ability to bring in talent** that is better than you in each special areas. Giving them the freedom to bring their capabilities to play is important.

Kalaari SaaS From Scratch:
Decoding Early Mentors Podcast

SaaS Metrics

AND BENCHMARKS

1. Quantity of Revenue
2. Quality of Revenue
3. Sales Efficiency
4. Potential of Future Revenue
5. Profitability

Quantity of Revenue

Revenue, especially for SaaS companies, can be a deceptive metric. SaaS companies can have a mix of services, recurring, and one-time revenues that can be contracted, billed, or realised. To cut the noise from the clutter, focus on MRR.

Metric	**Notes**	**Benchmark** (if applicable)
MRR	For a SaaS business, monthly recurring revenue is a much more valuable metric to track than traditional revenue. It's the total revenue you received during the month that came from recurring subscriptions. Important to track different types of MRR –	**Last 5 Year Averages Seed:** $0-50K MRR Series A: $50–200K MRR Series B: $200-500K MRR
Existing MRR	Monthly revenue from your current users. (Baseline to grow from)	-
New MRR	MRR generated by new customers. (Note: measure marketing spends against New MRR)	**Median** **70-60% of MRR** (When MRR is <$250K) **50% of MRR** (When MRR is >$1M)
Expansion MRR	Additional MRR from existing customers.	**Median** ~30% of MRR, when total MRR is ~$1-2M
Lost MRR	Lost MRR from cancellations & downgrades.	Determines churn rate
Contraction MRR	Lost MRR from customers who downgraded.	30% of Lost MRR

Metric	Notes	Benchmark (if applicable)
Churned MRR	Lost MRR from customers who canceled their subscriptions.	70% of Lost MRR
Re-activation MRR	MRR generated by customers who come back to use the product.	**Median:** 9-13% of MRR
ARR	MRR x 12, will be different from the last 12 months of revenue.	-
ARPA	Average Revenue Per Account (MRR / # of Active Accounts)	-
ACV	Value of a customer's contract over a 12-month period.	-
Customer Lifetime Value (LTV)	The average amount of money that your customers pay during their engagement with your company. Indicates what your average customer is worth. (ARPA x 1/Customer churn rate) An effective way to calculate LTV is to analyse cohorts (12 months to 3/5 years)	-
Bookings	Bookings represent the commitment of a customer to spend money with your company. (Contract signed)	Important to track – Bookings to Revenue Conversion (Time taken, drop-off rates)
Revenue	Revenue happens when the service is actually provided.	-
Billings	Billings is when you actually collect your customers' money. (Cash inflow)	-

Quality of Revenue

While the quantity of revenue is the most important metric to track, the quality of revenue determines the growth and sustainability of future revenues. Key metrics, that indicate the quality of revenue, are linked to churn. High churn indicates you will not be able to compound your revenue and your cost of acquisition will not be optimised.

Metric	Notes	Benchmark (if applicable)
Revenue Churn	The rate at which monthly recurring revenue (MRR) is lost, as a result of lost customers and downgraded subscriptions. [(Month 1 MRR - Month 2 MRR)/Month 1 MRR] 2 types of Revenue Churn (Net Churn & Gross Churn)	**Last 5-Year Averages (MRR)** **Seed:** $0-50K **Series A:** $50–200K MRR **Series B:** $200-500K MRR
Gross Churn	Takes into account the MRR lost via churn and contraction from your existing customers.	**Unsustainable** 10-15% **Post PMF Median** <5% **Best in class** 1-2% **For SMBs (10K ACVs)** Target 30%
Net Churn	Takes into account both the MRR lost (via churn & contraction) and gained (via expansion & reactivation) from your existing subscriber base. As ARPA increases, the potential for negative net churn increases.	**Post PMF Median** 5.8% - 1% **Target** Negative net churn
Customer Churn	The rate at which existing customers cancel subscriptions. Also known as logo churn. (Customers churned at period t/ Total customers at period t)	**90-95% is common for enterprises, 85% for mid-market, and 70-80% for small businesses.**

Metric	Notes	**Benchmark** (if applicable)
Net Revenue Retention (Dollar Retention)	Measures how much revenue is generated in each period relative to its original size. Dollar Retention takes expansion revenue into account and can be greater than 100% if expansion exceeds churned and contracted revenue.	**Best in Class SMB:** 100% NRR **Mid-Market:** 130% NRR **Enterprise:** 140% NRR
Quick Ratio	Revenue growth over a particular time period (i.e., New MRR + Expansion MRR) with revenue shrinkage over the same timeframe (Churned MRR + Contraction MRR)	**Best in Class** Quick Ratio = 4
Customer Concentration	Is growth being driven by a few big contracts or many small ones?	**On Average, the largest customer pays <10% of the total MRR**

Sales Efficiency

For growth to be effective and sustainable, it is crucial to examine sales efficiency. Uneconomic expenditure levels can always be used to generate "fake" growth. The indicators listed below can be used to compare the value of new clients against the cost of obtaining them in order to assess sales efficiency.

Metric	Notes	Benchmark (if applicable)
CAC	Costs to acquire new customers. (Sales & Marketing Spend / New Customers) How to lower CAC? • Lower cost of leads • Increase funnel conversion rates • Increase PPR • Reduce human touch • Simplify lead time (sales to go live)	**Last 5 Year Averages Seed:** $0-50K MRR Series A: $50–200K MRR Series B: $200-500K MRR

Metric	Notes	Benchmark (if applicable)
$ CAC	Costs to acquire new $. (Sales & Marketing Spend / New MRR)	-
LTV / CAC	The lifetime value of your customers and the total amount you spend to acquire them.	**Rule of Thumb LTV/CAC** = 3-4x **Best in Class LTV/CAC** > 5x
Payback Period	Measures the number of months it takes to generate enough revenue to cover the cost of acquiring a customer. (CAC / MRR x GM) For early-stage companies, payback period is a better metric than LTV/CAC since LTV is difficult to determine accurately.	**Rule of Thumb Payback Period** < 12 months **Best in Class Payback Period** < 5-7 months
SaaS Magic #	Net New ARR in a period divided by S&M expense from the prior period	Ideal: >1
Productivity Per Rep (For outbound sales)	(New MRR for a specific / # of Sales Reps) PPR is impacted by 2 factors: quality of people hired, also impacted by onboarding & training • Important to monitor PPR (time series), Monitor PPR by each sales person	**Best in Class** 50% reps should be above 100% quota
Sales Capacity	The number of productive sales reps is a key driver of bookings. Planned revenue should be backed by sufficient sales capacity. (# reps x weekly hours x weeks per year x % hours spent on sales x % closing ratio of the team)	-
Revenue per lead	The average amount of revenue each lead (as opposed to customer) will contribute. (New MRR / Number of Leads Per Month)	-

Metric	Notes	Benchmark (if applicable)
ACV	Value of a customer's contract over a 12-month period.	-
SaaS sales funnel • Lead Generation • Trials • Pilots • Conversion • Onboard • Retain • Expand	The metrics that matter for each sales funnel vary from one company to the next depending on the steps involved in the funnel. Measuring conversion % at each stage of the funnel can provide transparency to the sales process. Early on, important to experiment with the conversion of cohorts the by lead source - and then double down on the highest conversion	Link to SaaS Funnel Conversion Benchmarks by Industry & Channel

Potential of Future Revenue

In addition to quantity & quality of revenue, below are a few metrics that indicate a healthy pipeline of future revenue.

Metric	Notes	Benchmark (if applicable)
MRR Growth	Growth is faster in the early stages. As companies mature, the median growth rate slows down.	**MoM Growth Medians by MRR Band** • **MRR <$10K:** ~70% • **MRR $10-50K:** ~40% • **MRR <$50-100K:** ~30% • **MRR <$100-250K:** ~25% • **MRR <$250K-1M:** ~20% • **MRR >1M:** ~18-15%

Metric	Notes	Benchmark (if applicable)
Rate of expansion	[(Expansion MRR month-end – Expansion MRR month beg) / Expansion MRR month beg]	**Best in Class** 15-20% or +20% **Target** 10-15%
Rate of won contracts	Total opportunities won over the total opportunity won + lost	-
Referral ROI	Applies for companies that give referral incentives. To compare the amount we're spending on customer referrals with the revenue those referrals will generate over their lifetime. Measures $X in LTV for $Y in referrals. [(LTV - Referral Incentive)/ Referral Incentive]	-
Contraction MRR	Lost MRR from customers who downgraded.	30% of Lost MRR
DAU/ MAU	The ratio of daily active users to monthly active users.	Average 40% during non-holiday weekdays (Defers based on the type of SaaS)
DAU/ WAU	The ratio of daily active users to weekly active users	Average 60% during non-holiday weekdays (Defers based on the type of SaaS)
NPS	Customer satisfaction is key to ensuring low churn. One way to measure that is through customer surveys. The net promoter score (NPS) is the most popular metric for customer satisfaction.	The median NPS score for B2B companies is 29
CSat	CSATs can provide a simple window into the type of service you offer, and function as a valuable complement to NPS measurements.	A good CSat score for B2B companies is +60%

Profitability

Metrics and benchmarks of profitability in a SaaS business.

Metric	Notes	Benchmark (if applicable)
Gross Margin	Gross Margin reflects a company's margin after subtracting the cost of goods sold (COGS) from revenue. For SaaS companies, COGS typically consist of hosting costs, any data or software needed for the product to operate, and the cost of frontline operations.	+75% is good, privately-held SaaS is 70-80%, below 70% is red flag (**Note**: gross margins might vary if pass-through costs are high or if the SaaS is implementation or customer success heavy)
EBITDA Margin	Most important for mature SaaS companies. A useful metric to calculate Rule of 40 (Note: Rule of 40 is not a relevant metric for early-stage companies, only becomes important at the pre-IPO stage – currently < 50% of publicly traded SaaS companies hit the Rule of 40)	TTM revenue growth rate + adj. The EBITDA margin is 37%
Gross Burn Rate	Amount of money a company spends in a month.	-
Net Burn Rate	The amount the company loses in a month. (Gross Burn Rate - Revenue)	Profitable companies have a negative net burn rate
Zero Cash Date	Predicted date your startup runs out of cash, as a result of your current burn rate, and assuming no new revenue generation.	-
Burn Multiple	Net Burn is divided by its Net New ARR in a given period.	**Best in class** <1-1.5 | **Target** 1.5-2

SaaS Founder Resources

You’ll Want To Bookmark

Kalaari has a strong commitment to provide resources for founders. We wanted to democratise our knowledge by sharing key resources for founders building in SaaS & other adjacent spaces.

We’ve sorted through some of the most popular SaaS resources and compiled a list of books, courses, podcasts, tools and templates that will help SaaS founders stay at the top of the game.

Creating a Legal Entity

- Stripe Atlas entity formation, company structure, access to startup services
- AngelList Stack – entity formation and financial services
- NameVine – create a consistent online presence – instantly find an available domain name with matching social media profiles.
- Firstbase – incorporation, operations, bank account, and other services
- Doola – launch a LLC, corporation, or DAO from anywhere in the world + bank account + ongoing state and IRS tax filings
- Index of Cooley Go Docs – advisor and consultant agreement templates, term sheet templates. Cooley's Guidance section also has useful information on common legal questions.
- Penn Law Startup Kit – templates and tutorials of legal documents needed by early-stage founders

Recruiting & HR

- The SaaS Org Chart – template for SaaS company hiring
- Cuvette – platform for hiring interns + new grads
- Big.Jobs – Employment as a Service
- LinkedIn Recruiter – Jobs search platform
- Rippling – HR software
- Remote – Remote teams

Pitch Deck

- Shopify's business plan template
- Pitch Deck Hunt – Successful SaaS pitch decks
- Front Series A Lessons – Seed/ Series A pitch deck material
- Insights from Pitch Decks
- Founder Resources – Dataroom templates (Pitch Deck, Financial Model)

Fundraising

- Fundraising CRM + Database Template
- Mosaic Tech – SaaS Fundraise Pitch Deck Tips
- Questions Early Stage VCs May Ask You by Elizabeth Yin
- Overcoming founder investor information asymmetry
- Decoding termsheets

Investor Update Templates

- Investor Update Template from Bloomberg Beta
- Visible – site for investor updates
- Journey.io – site for embedded content

Board Meetings

- The SaaS Board Meeting (and template) by David Sacks
- Preparing a Board Deck by Bryan Schreier
- Managing Startup Boards by Mark Suster

GTM

- GTM Nirvana – deck by Caroline Clark (Founder of Arcade, formerly Sequoia & Atlassian). Breaks down buyer personas, acquisition channels, and pricing.
- Pricing Your SaaS Product – Lenny's Newsletter – summary: determine your value metric & personas. Includes a quantified personas spreadsheet.
- Obviously Awesome: How to Nail Product Positioning so Customers Get It, Buy It, Love It by April Dunford. Free online templates here

Marketing

- Holidays, events, and cultural dates calendar by Grace Clarke
- Ortto – for automating communications with prospects
- Mailchimp – for transactional emails (2000 contacts on the free plan)

Sales

- Hunter – for cold emails
- Frill – for customer feedback
- B2B Sales Tech Stack by Basis Set – suggestions on effective sales tools
- The Guide to Crushing Enterprise Sales by Sarah Nökel (Investor at Northzone) – extensive list of resources for a number of company-building categories: marketing, growth, fundraising, benchmarks, pitch deck & board update templates.
- User Onboarding – https://userlist.com/blog/saas-user-onboarding/

Pricing

- Paddle – Payment processing platform for SaaS companies

Knowledge Building

- Technically – demystifying technical topics by Justin Gage
- Field Guides from Unusual Ventures

Team building

Equity Compensation Benchmarks & Resources

- Employee Equity Compensation Guide 2021 by Personal Capital. Includes descriptions of key terms (stock options, restricted shares, stock purchase plans, etc.) and mechanics of how they work.
- Equity 101 by Carta. A series of digestible videos on equity grants, vesting, exercising, and more.
- Understanding Startup Offers by Compound – more info on startup equity compensation.
- The Ultimate Guide for Finding a Startup Job by Vinay Iyengar – a concrete guide, mostly focused on more junior people less than 5 years out of college.
- Early-stage Marketing Compensation Explained by Kramer & Kathleen of MKT1. Marketing-specific, but has good equity basics.

Onboarding

- Onboarding Tactics for New Hires by First Round Review

Finance

- SaaS Financial Plan Template – By Christoph Janz (One of the best free financial templates for SaaS companies)
- The SaaS CFO – Financial Templates
- List of Financial Templates for SaaS & Comparison – By OpenVC
- Kalaari SaaS Metrics
- Series A SaaS Metrics

Communities

- SaaSBooMi
- SaaS Insider
- Relay by the Chargebee Team
- SaaSTr
- Indie Hackers
- r/SaaS community of Reddit
- SaaS Club Podcasts
- Kalaari SaaS from Scratch Podcasts
- SaaStitute

The Early-Stage Startup Tech Stack List

Accounting & Finance

- Intuit Quickbooks
- Pilot
- Stripe
- Neo.Tax

Legal & Insurance

- Vouch
- Embroker
- Clerky
- Legalzoom

CapTable & Fundraising

- Clerky
- Pulley
- DocSend
- Carta

Cloud Credits

- AWS
- GCP
- Azure
- Blueocean

Design

- Figma
- Canva
- Miro

Customer Service & CX

- Zendesk
- Intercom
- Drift

APIs & DevOps

- Webflow
- Postman
- Bubble
- Zapier

Analytics

- Google Analytics
- Mixpanel
- Firebase
- Metabase
- Hotjar
- Amplitude

Collaboration & Productivity

- Notion
- Discord
- Coda
- Slack
- Asana
- Airtable
- Zoom

Security

- Vanta
- Secureframe
- Cloudflare
- Scrut
- Sprinto

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About Kalaari

Kalaari Capital is an early-stage, technology-focused venture capital firm based in Bengaluru, India. Since 2006, Kalaari has empowered visionary entrepreneurs building unique solutions that reshape the way Indians live, work, consume and transact. The firm's ethos is to partner early with founders and work with them to navigate the inevitable challenges of fostering ideas into successful businesses. At its core, Kalaari believes in building long-term relationships based on trust, transparency, authenticity, and respect.

website linkedin youtube twitter instagram spotify

Thank You

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