LEANCASE

- GROWING SMARTER -

How to Plan Your Business Without Excel

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How to Plan your Business without Excel

Welcome to the Lean-Case Product Training.

We are really happy you decided to join this training because you are going to learn four things at the same time. We want you to understand:

- the basics of **financial metrics**
- our methodology of **How to build a professional Business-Case**
- the **key business questions which decision makers ask and…**
- of course, the fun of **Getting started with Lean-Case**

How to get started?

Onboarding is really the hardest part when you start using any tool. The same is true with Lean-Case.

Before you create a new Lean-Case Project, you should have a clear idea of what you want to model and how your business model should look like. You would have the same challenges if you were building your business plan in Excel.

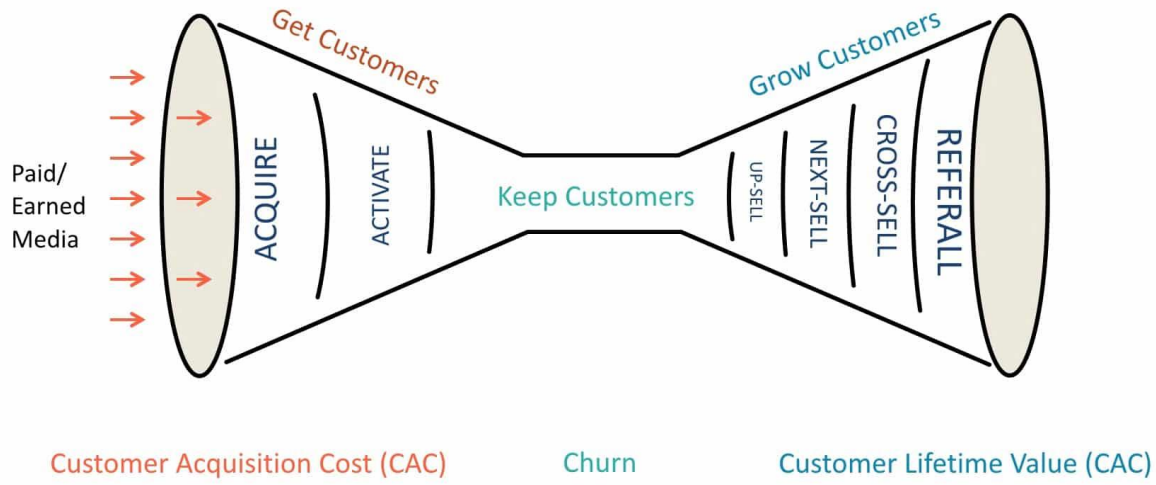
Lean-Case, at least, can offer you a structure to follow and a much higher likelihood of success to get your project funded.

If you are just starting, check out our tutorials and blueprints and get some ideas. Lean-Case Blueprints are sample projects which you can select when you set up a project - which get you off to a fast start.

If you need for a different Blueprint for your organization, you can set up one yourself for your team. Alternatively, let us know your ideas and questions and we can provide help.

When setting up a Lean-Case project, you should **understand your customer lifecycle** of

- **Getting Customers** and
- **Keeping & Growing Customers**



To build your own lifecycle, you should specifically be able to answer 3 key questions:

1. **How do you create leads?**
2. **How do you convert leads into paying customers?**
3. **And, how do you grow your paying customers?**

With those answers in mind, Lean-Case becomes a "lean" business plan simulator - and profit planner ... that allows you to model the customer lifecycle model of your business so that you can:

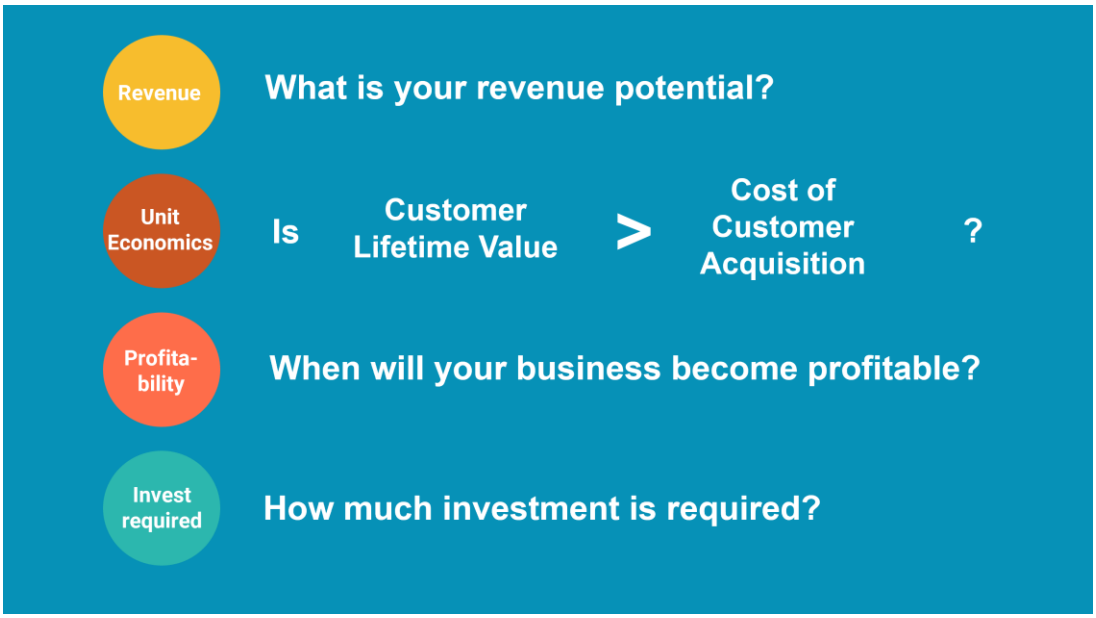
- **understand the key assumptions and metrics about your business**
- **present and explain them LOGICALLY on just one page and**
- **answer the 4 key business questions which decision makers have**

Key Business Questions to answer

The 4 key business questions which investors ask provide the framework for this training:

So, what are those 4 key business questions?

- **What is your revenue potential?**
- **Are unit economics positive so that your business is viable to grow? (CLTV >> CAC)**
- **When will your business become profitable?**
- **How much investment is required?**



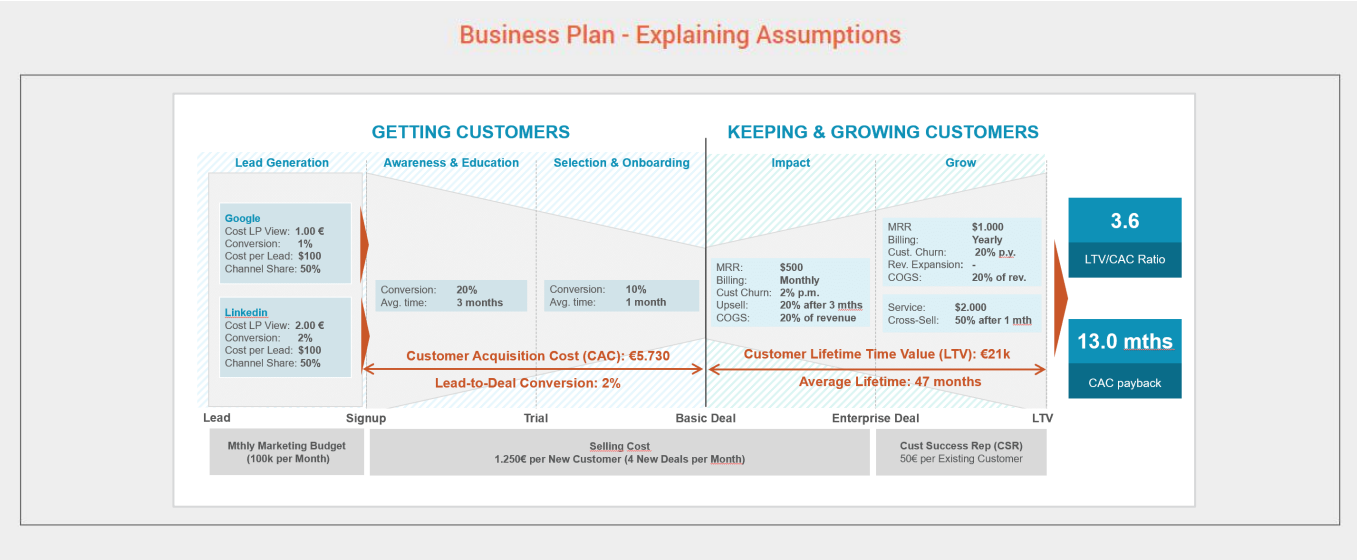
In particular understanding the unit economics - if Customer Lifetime Value (CLTV) is significantly higher than Cost of Customer Acquisition (CAC) is relevant for funding decisions.

If unit economic work well, it is great to spend money on scaling your business. Most Excel plans do not answer this question and often investors invest without an understanding of unit economics, thus financing incorrect propositions.

How to pitch your financial model

Let's first check how to visualize the idea behind a Lean-Case project and our blueprints. You can pitch your financial model exactly the same way. On just one page, we are showing the customer lifecycle with

all its key assumptions on how to create leads, how to convert them into paying customers and how to grow paying customers.



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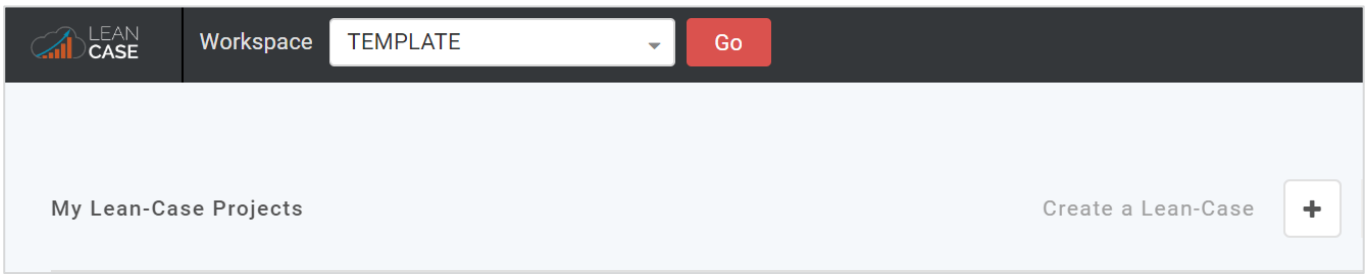
Based on these core assumptions, we can then answer all the key questions which decision makers ask on revenue potential, business viability, profitability and investment required.

In this product tour, we are actually showing you an example of a Software-as-a-Service (SaaS) business. We will create this model from scratch as part of this product tour. You can later also check it out. It is available as the blueprint which is called "SaaS Training".

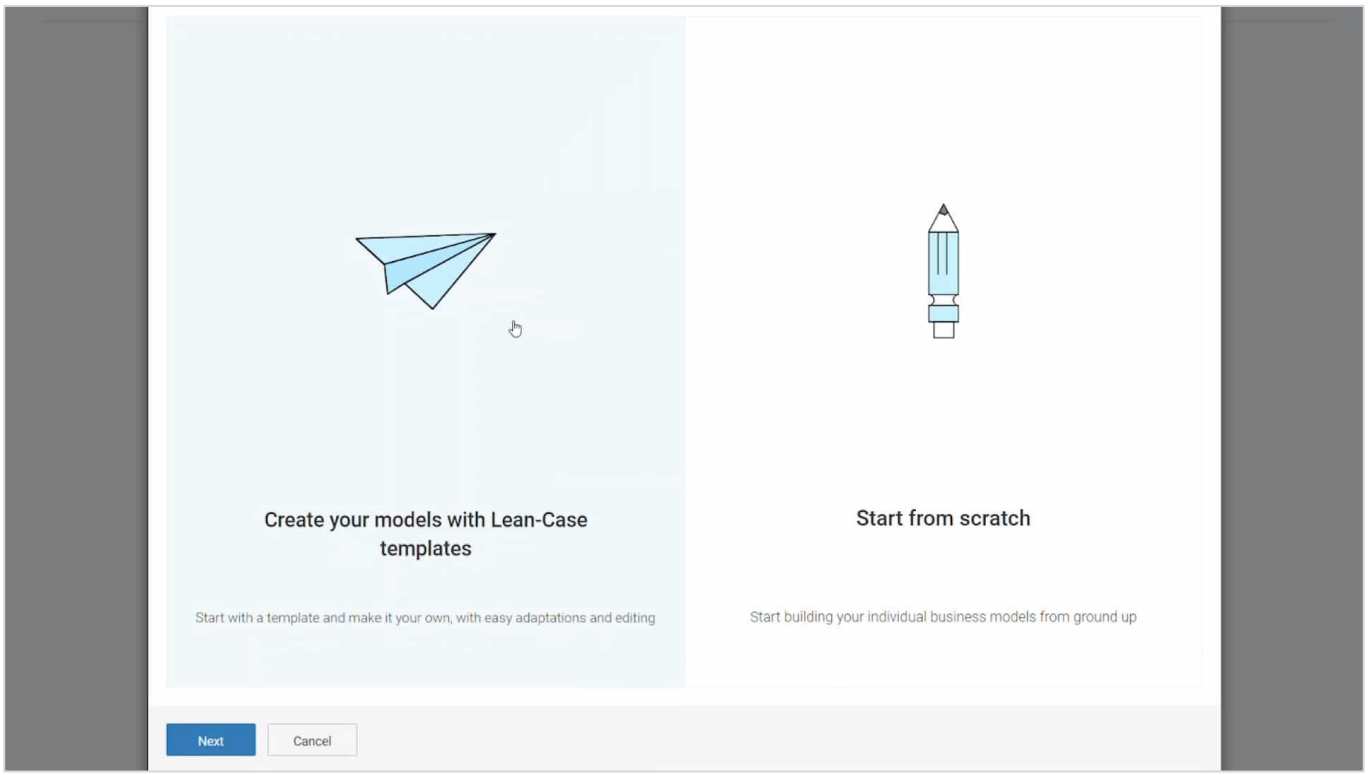
Creating a Lean-Case Project

It's see how to create a Lean-Case project …

After you signed up, you should click the button <Go> to get to your personal "My Projects Space" workspace to add a new Lean-Case project.



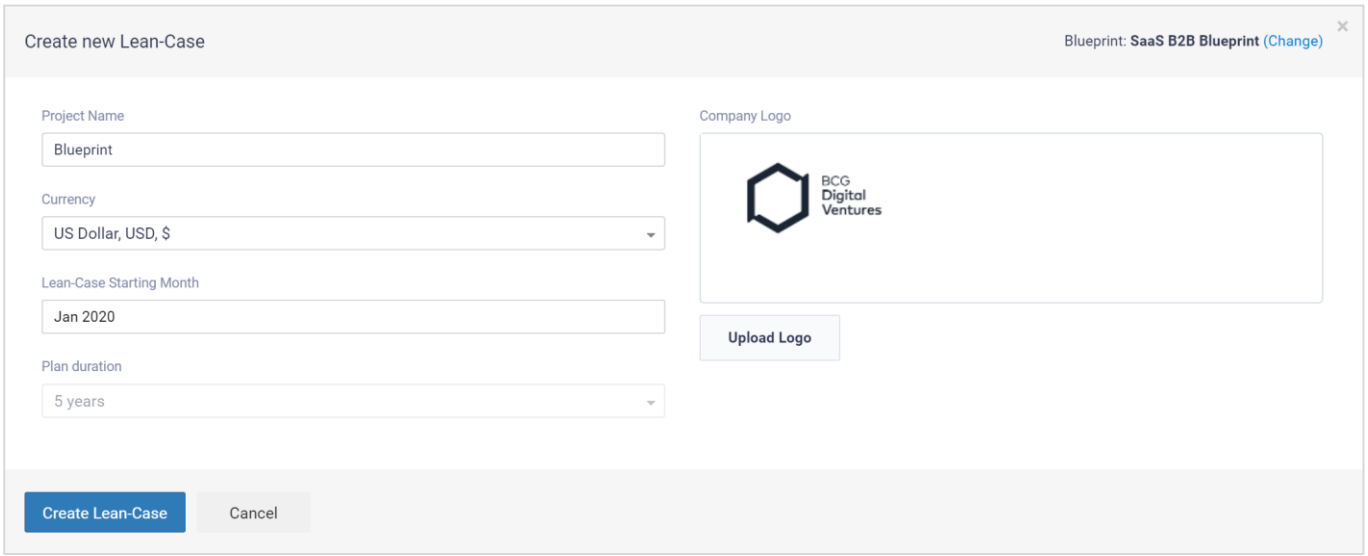
Create a project by clicking on the <+> icon. You have the option to start a Lean-Case project from scratch or to use one of our Blueprints. The Blueprints describe how the Lean-Case projects are set up. You also have access to more detailed information, step-by-step tutorials and videos available for our blueprints.



Starting off with a Blueprint

Let's get started by picking a Blueprint which will show some of the basic concepts involved. Select the Blueprint: SaaS Training to create a project:

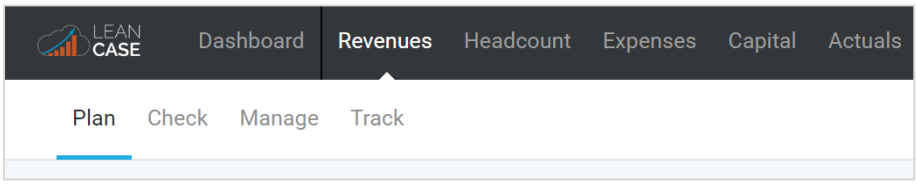
- Pick a name for your project
- Select a currency
- Set the project start year and start month, e.g. Jan 20, and
- if you want, you can pick a logo for your project



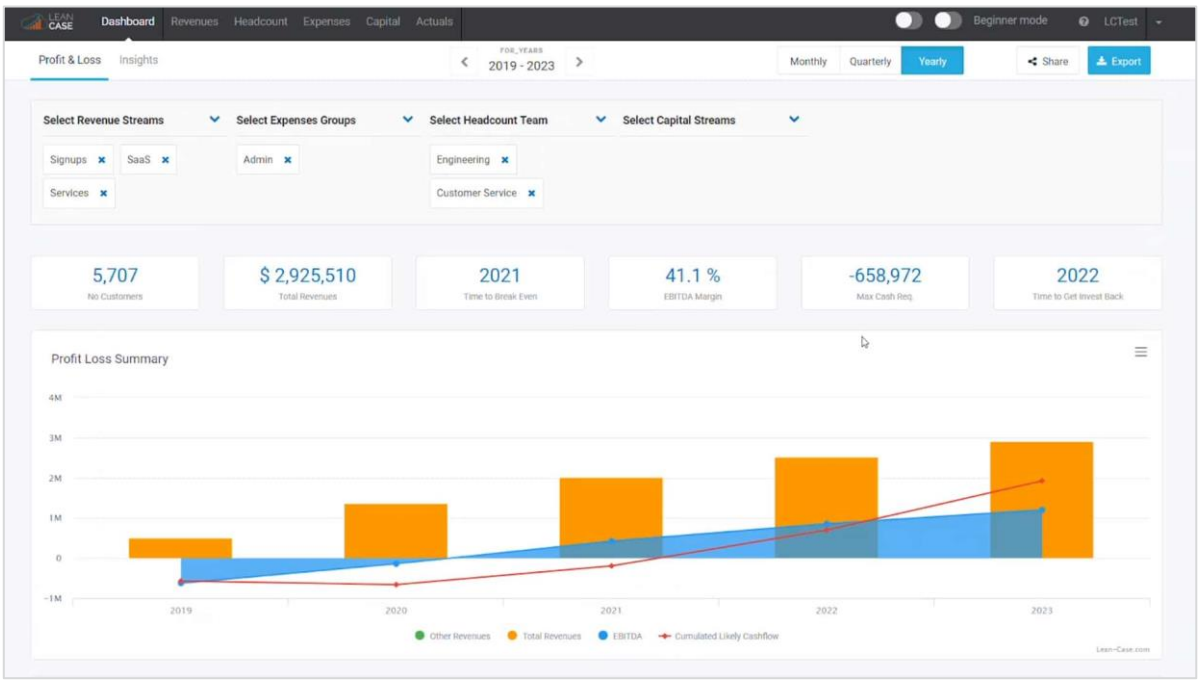
Great, we have just created your first Lean-Case Project.

Let’s first take a look at the menus in Lean-Case:

You find a few menus to enter data: Revenues, Headcount, Expenses and Capital. They are very similar. You can plan, check and track your data.

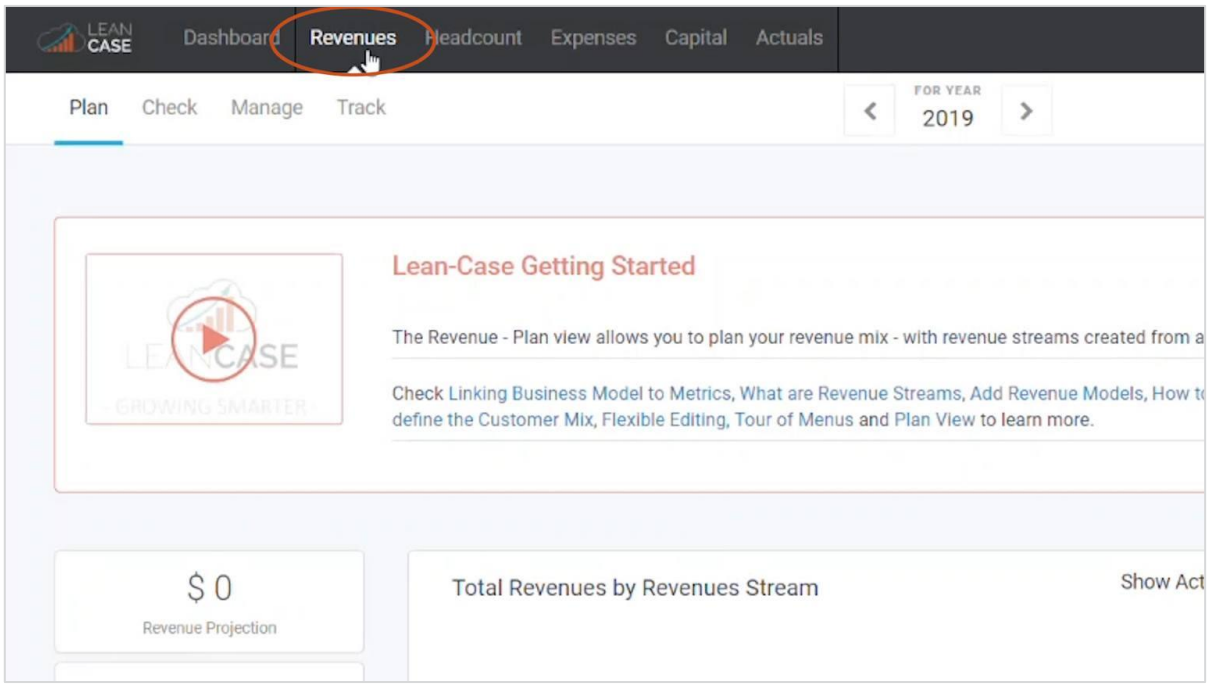


In addition, we are giving you a glimpse of the Dashboard menu which provides all answers to the business questions which decision makers ask.

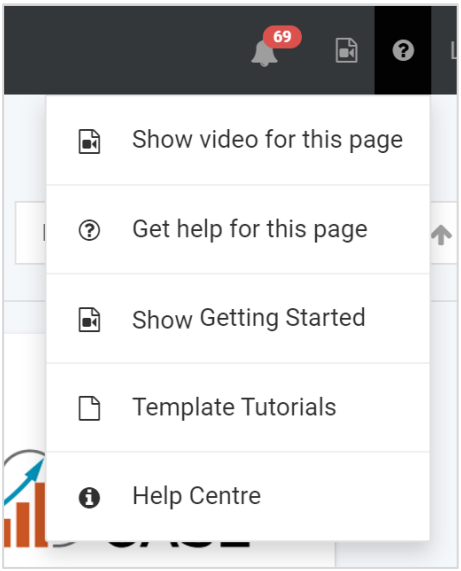


To get around in any of the sub-menus, you find the Getting Started Box with useful information to get started. This information includes:

- A short explanation of the sub-menu
- A video explaining the functionality within this sub-menu in more depth
- And links which take you to our help center



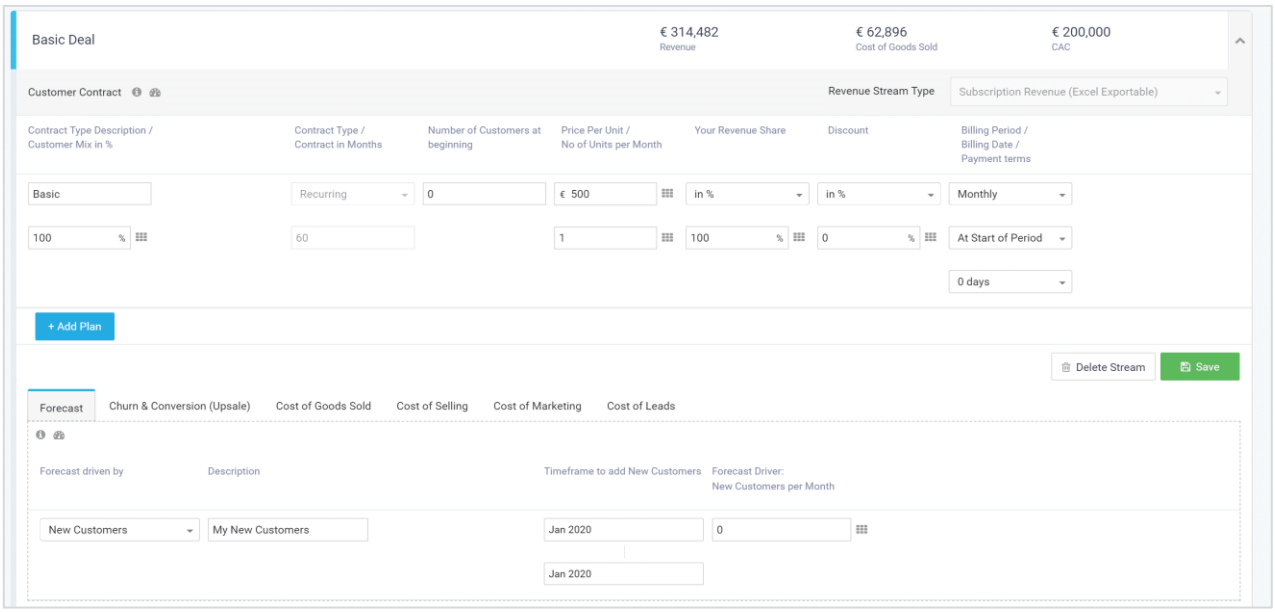
You can also access this information via the help menu in the Top Menu Bar.



A key concept in Lean-Case Projects are Revenue Streams.

Lean-Case Revenue Streams allow the modeling of:

- **customer contracts** with certain revenue types and contract terms
- **forecast models** to model traffic and pipeline volumes
- **churn** to model customers which you cannot retain
- **And revenue-related costs:**
  - to acquire NEW customers (**Cost of Customer Acquisition** consisting of **Cost of Selling**, **Cost of Marketing** and **Cost of Leads**) and
  - to produce, deliver to and support EXISTING customers (**Cost of Goods Sold**)



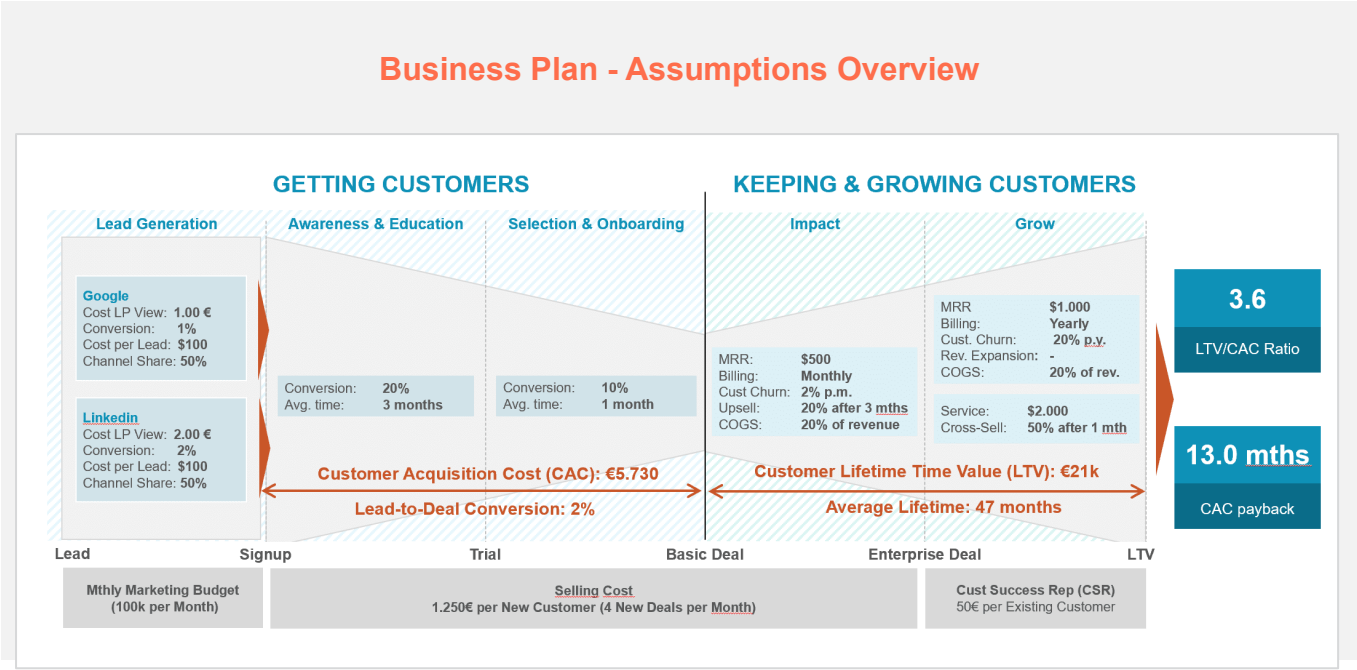
With **conversions rules**, you can simulate upselling from one stream into another. Conversion Rules connect the revenue streams to model the Customer Lifecycle, including how to:

- create leads
- convert leads into paying customers and
- grow paying customers

Key Assumptions for the Training Case

Let's now go back to the "My Projects" space via the Profile Menu in the upper right corner of the Menu Bar. On your workspace, let's create a project from scratch. Again, the project which we build in this tour creates the Blueprint "SaaS Training".

Let's first look at the customer lifecycle which we want to model in a bit more detail...

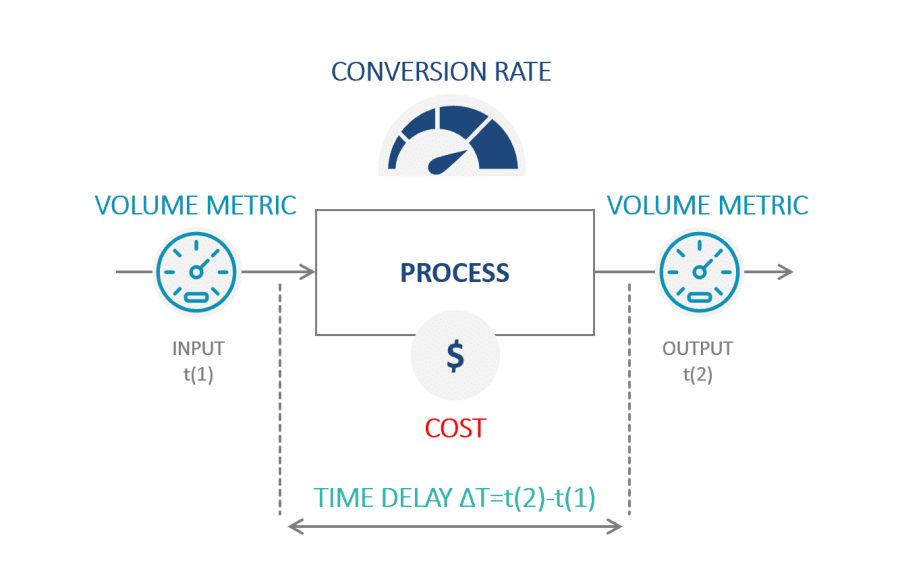


- the business creates **Signups** by advertising on Google and Linkedin. Leads come to a landing page and a percentage of them convert into Signups.
- 20% of Signups convert into **Trials** after 3 months and
- 10% of Trials convert into **Basic Deals** after 1 more month
- Basic Deals create $500 of Monthly Recurring Revenues (MRR) - 2% of deals churn on a monthly basis
- 20% of Basic Deals can be upsold and converted to **Enterprise Deals** after another 3 months
- Enterprise Customers create $1,000 of MRR and to 50% of them the business can **cross-sell one-time service** revenues of $2,000

Metrics at Play

Let's quickly see which Metrics are behind the logic of a customer lifecycle. When getting, keeping and growing customers, there are always four different types of metrics at play.

- **Volume Metrics** – to create volume for the pipeline and sales funnel
- **Conversion Metrics** – to push the volume through the pipeline from stage to stage
- **Time Delay Metrics** – which describe how long a conversion takes
- **Financial Metrics** – which describe how much a conversion costs



Let's put the theory about these metrics into action.

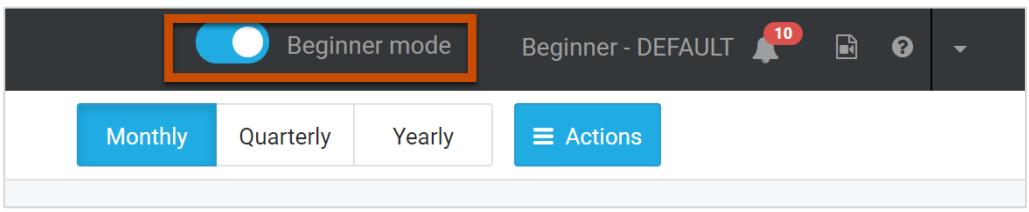
Step 1: Revenue Potential – Set up Lifecycle

To answer the question "What is your revenue potential?", learn how to **Set up your Customer Lifecycle** with 4 major components

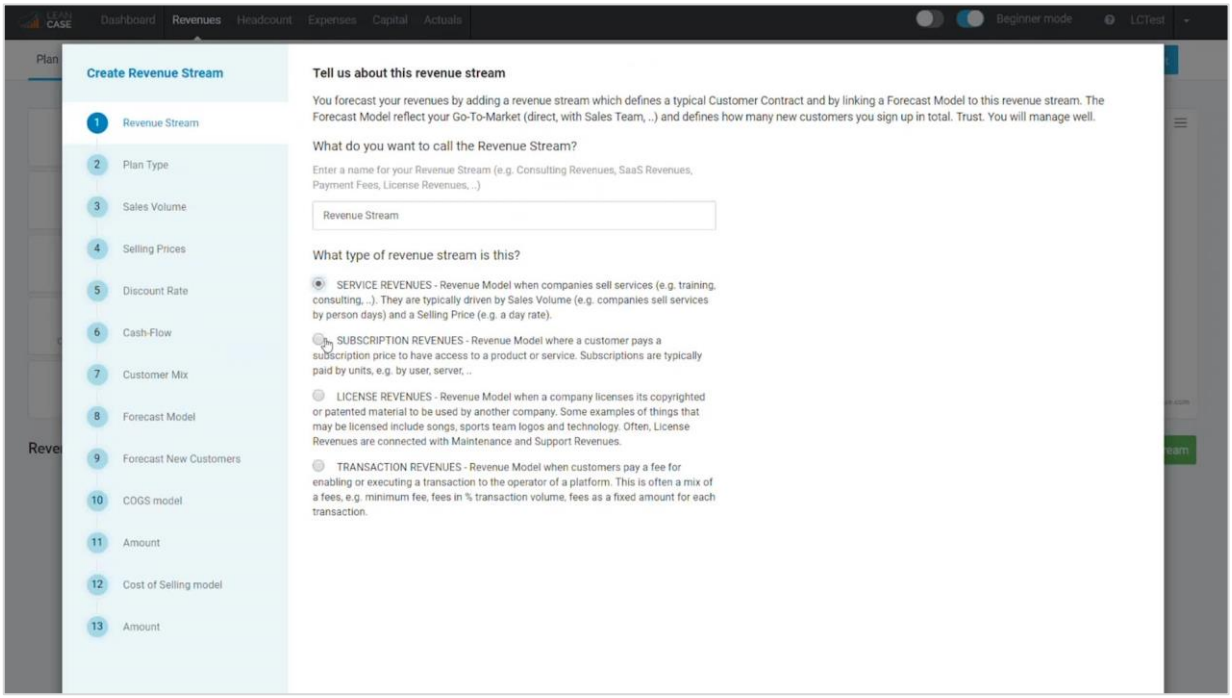
- **Revenue Streams** – Add Funnel, Subscription, One-Time or Pay-per-use Revenue Streams to model the customer lifecycle and customer contracts
- **Volume Forecast** – Pick Forecast Models to feed volume into the lifecycle model
- **Conversion Rules** – Add Conversion Rules to simulate up-selling and convert customer from one stream to the next
- **Churn** – Add Churn to mimic contract cancellations to create volume for the pipeline and sales funnel

Add Volume with Revenue Stream "Signup"

First, let's start by adding the Revenue Stream "Signup" which creates the volume for our our entire funnel. If you are here for the first time, you can activate the Beginner Mode.



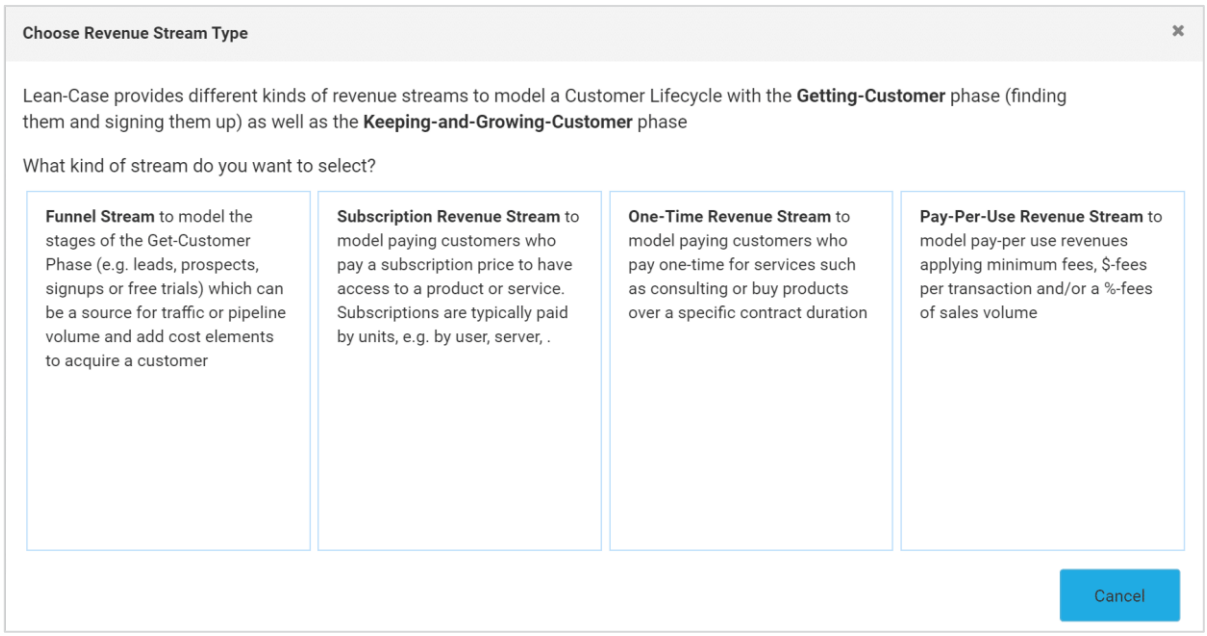
When you then click the "**Add Revenue Stream**" button, Lean-Case guides you through a list of questions and explanations to enter your assumptions.



For this tour, it would take a bit too much time to use the Beginner Mode so let's switch it off, but of course we recommend you use it when you get started. Click the button "Add Revenue Stream".

Lean-Case provides different kinds of revenue streams to model the Get-Customer as well as the Keep-and-Grow-Customers Phase of the Customer Lifecycle with different types of revenues:

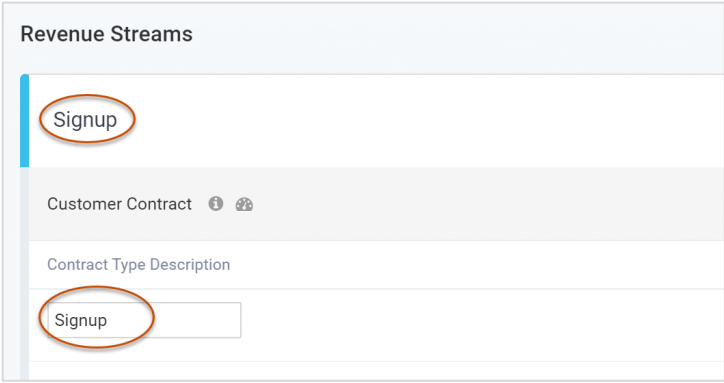
- **Funnel Streams** model the stages of sales funnel (the Get-Customer Phase) with traffic and pipeline volume as well as cost to acquire customers (e.g. leads, prospects, signups or free trials)
- **Subscription Revenue Streams** model paying customers who pay a subscription price to have access to a product or service. Subscriptions are typically paid by units, e.g. by user, server.
- **One-Time Revenue Streams** model paying customers who pay one-time for services such as consulting or buy products over a specific contract duration
- **Pay-Per Use Revenue Streams** model pay-per use revenues applying minimum revenues, $-fees to process transactions or %-fees as a percentage of sales volume

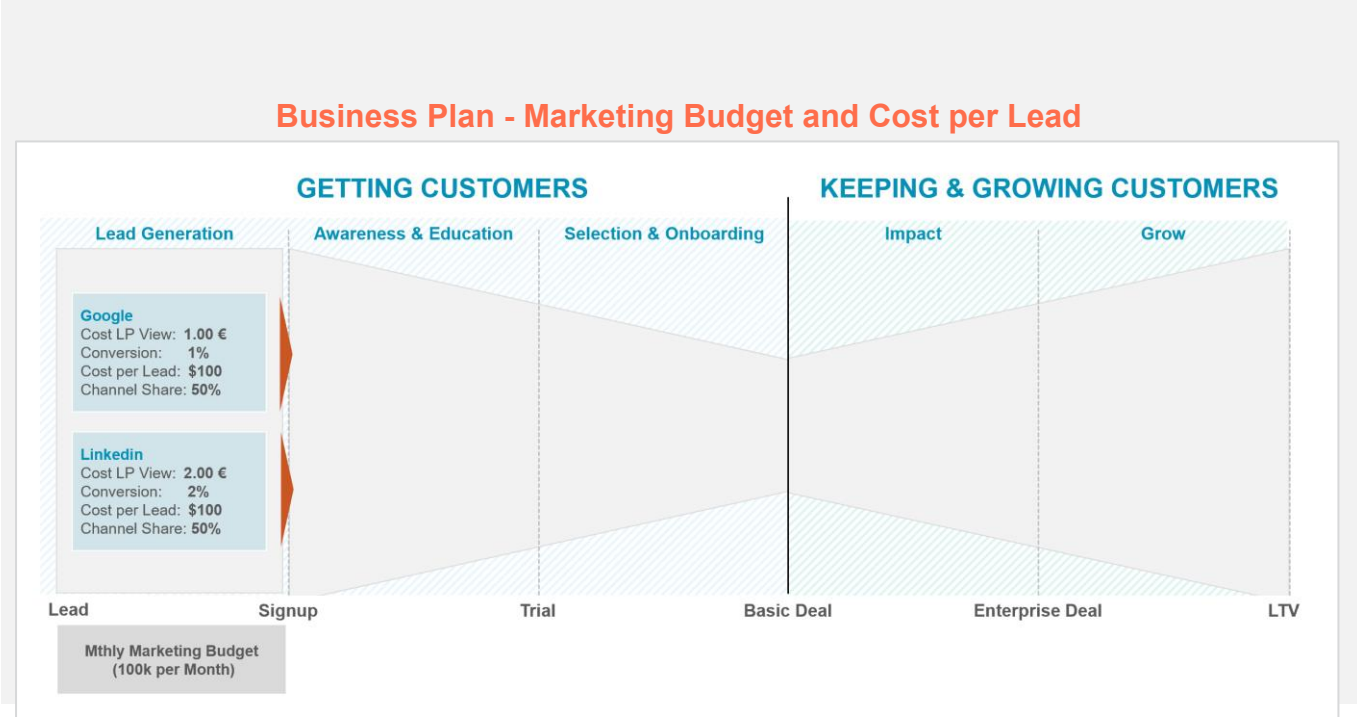


As Signups do not generate revenues, let's pick "Funnel Stream" from the list.

Enter the name of the stream "Signups", let's use the same name for the contract.

Let's now check our assumptions for this revenue stream. The business spends a marketing budget of $100k per month on Google and Linkedin Advertising to convert leads into signups.





The Marketing Budget creates the pipeline volume we talked about earlier. To create new volume (that means a flow of new potential customers), we use the **Forecast Tab** of the Revenue Stream.

To understand how many signups can be created given a Marketing Budget, we must also define how much it cost to acquire a lead. This can be done in the **Cost-of-Leads Tab.**

Add Forecast "Marketing Budget"

A Forecast Model allows you to define how many new customers of each customer type are signed up as leads or contracted as buyers every period.

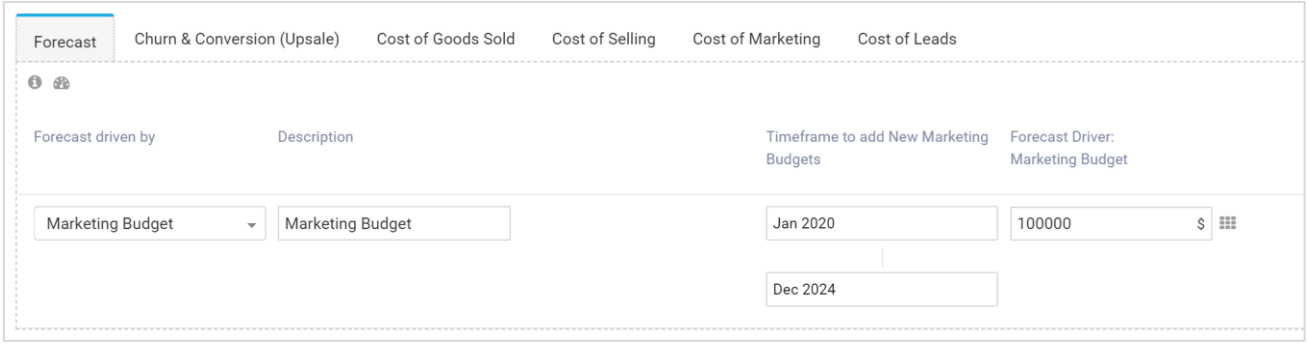
Forecasts create the volume required to grow and scale your business, e.g. traffic volume (new leads), pipeline volume (new opportunities) or customer volume (new customers).

Select the Forecast Model which best suits your go-to-market approach. How do you scale your business over time?

- by the number of **New Customers** (e.g. if you directly sell to customers online),
- by the number of **New Sales Teams** (e.g. if you follow an inside or outside sales model),
- by the number of **New Sales Partners** (e.g. Distributors or Point-of-Sales),
- by the **Revenue Target** set for your company, sales teams or sales partners or
- by the **Marketing Budget** available?

Let's select the Forecast Model "Marketing Budget". Then you must specify:

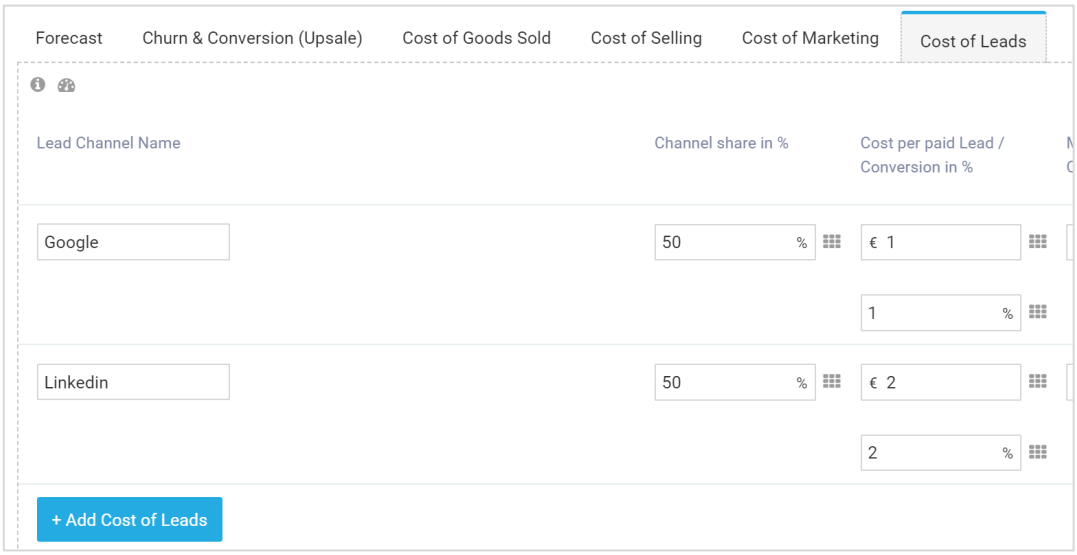
- the time period from which month to which month you spend the marketing budget to create pipeline volume and
- enter the amount of the marketing budget. Next to the field, you find a small icon symbolizing a Table. Wherever you see this icon, you can launch the Lean-Case spreadsheet widget to adjust the time series for this parameter. However, we recommend to only do that after you have fully created your model and validated its calculations.



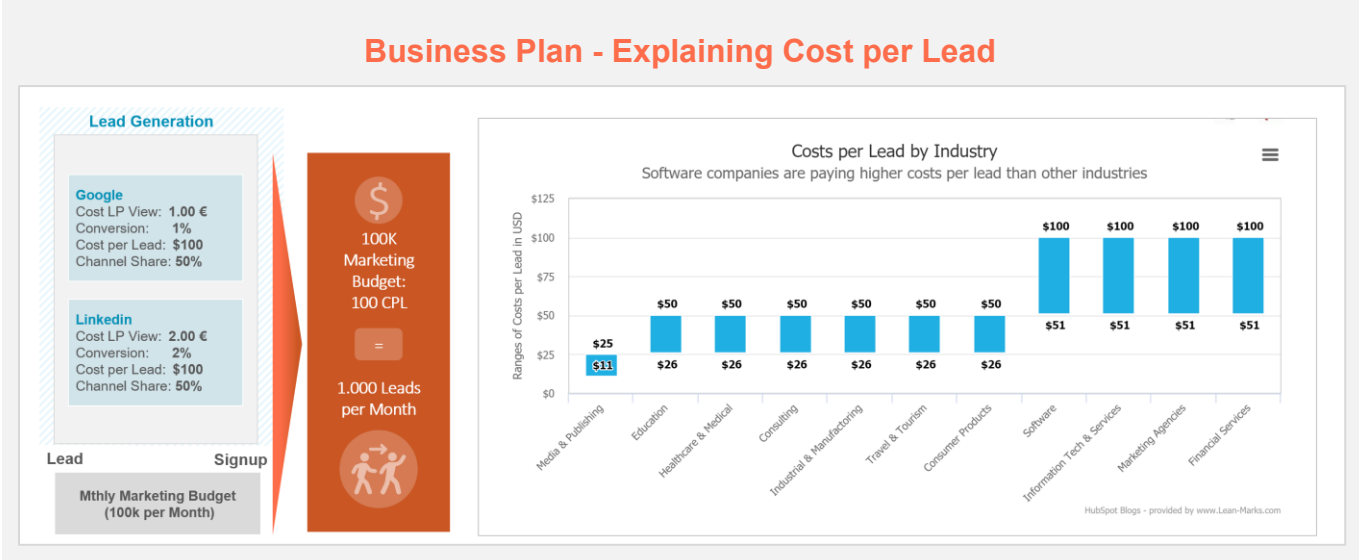
Add "Cost per Lead"

To understand how many signups can be created given the marketing budget, you must also enter how much a leads costs and how many leads can actually be converted into Signups. In the Tab "Cost of Leads", we set up 2 lead channels and we assume that 50% of leads are created on Google and 50% on Linkedin. For each of the channels, we then enter our assumptions. We assume that ...

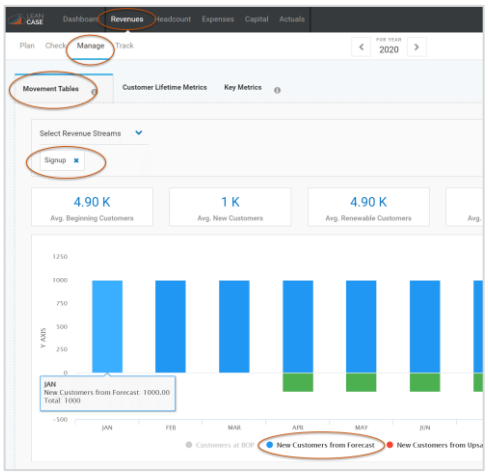
- a landing page view on Google costs $1 and that 1% of leads convert into signups, i.e. that you need 100 leads to create 1 signup. This means that the cost to acquire 1 signup is $100 (=100x$1)
- a landing page view on Linkedin costs $2 and that 2% of leads convert into signups. i.e. that you need 50 leads to create 1 signup. Compared to the Google channel, your conversion is better but the cost per lead is higher. The total cost to acquire 1 signup is also $100 (=50x$2)



Well, if you have a marketing budget of $100,000 and the cost per signup is $100, then you should create 1,000 new signups per month (= $100,000/$100). This is actually a very realistic number.

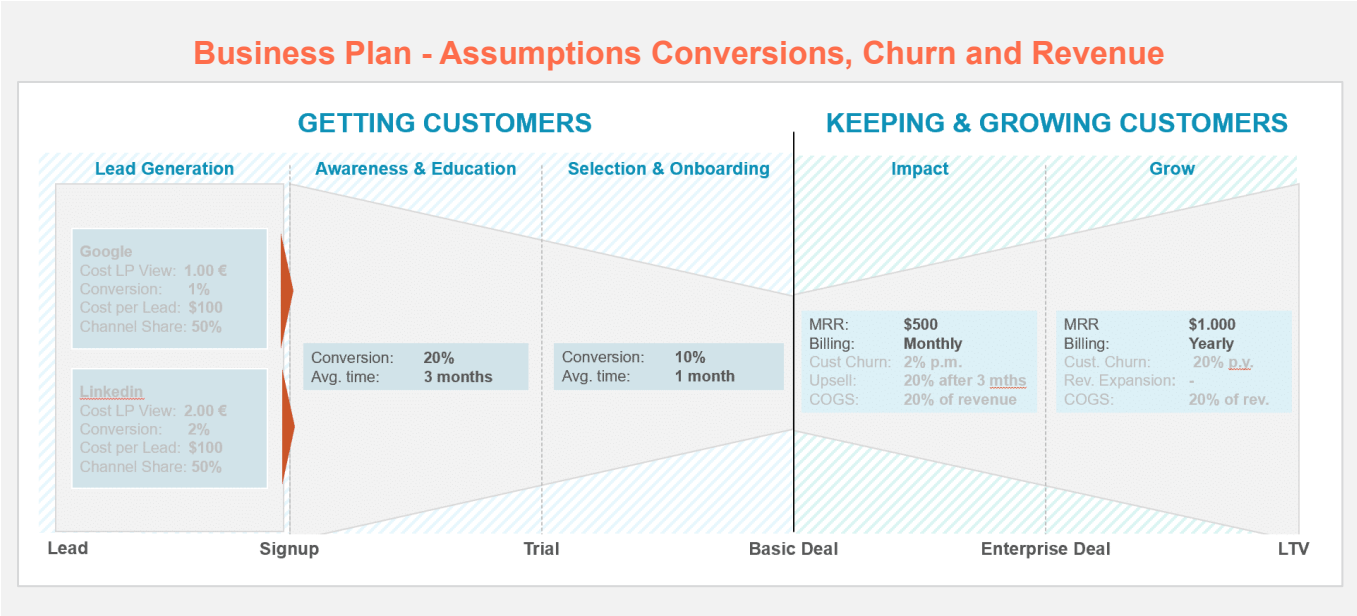


We can easily check this in Lean-Case. Go to the sub-menu **Revenues > Manage** and select the tab "**Movements Table**". For all Revenue Streams, you can check how customers move through your Funnel. The chart shows that there are 1,000 new signups per month.



Add Revenue Streams "Trials", "Basic" and "Enterprise"

Let's now add the other revenue stream "Trials", "Basic Deal" and "Enterprise Deals" one-by-one to our project to be able to connect them with conversion rules.

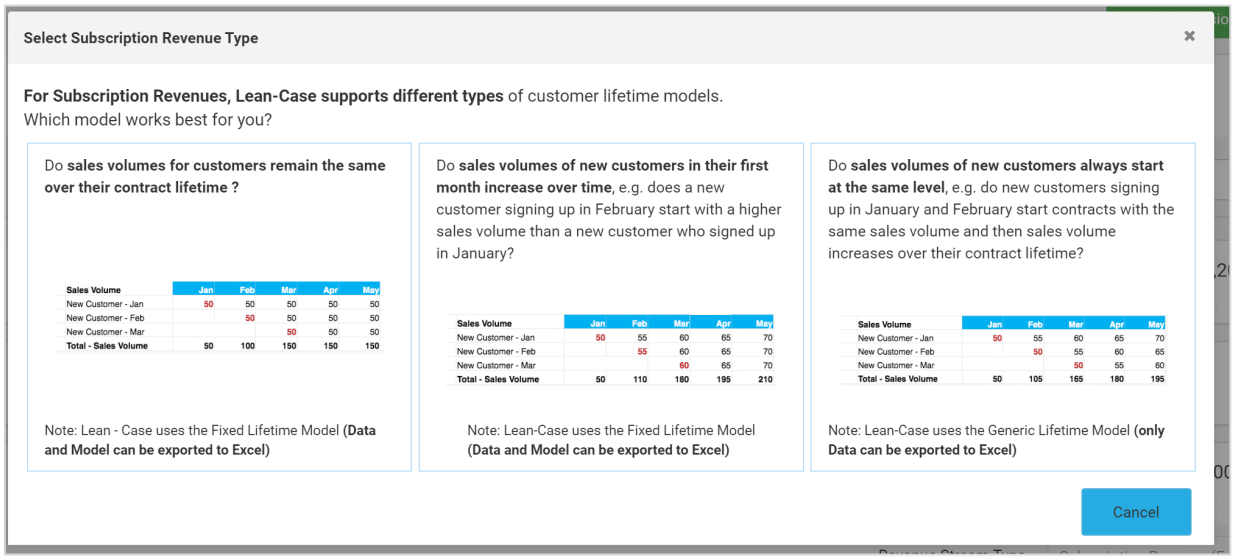


Revenue Stream "Trials"

The revenue stream "Trials" becomes another "Funnel Stream" as it doesn't model any paying customers.

Revenue Stream "Basic Deal"

The revenue stream "Basic Deal" becomes a "Subscription Revenue Stream". You can see that Lean-Case supports different flavors of subscription revenue streams. They depend on different contract lifecycles.

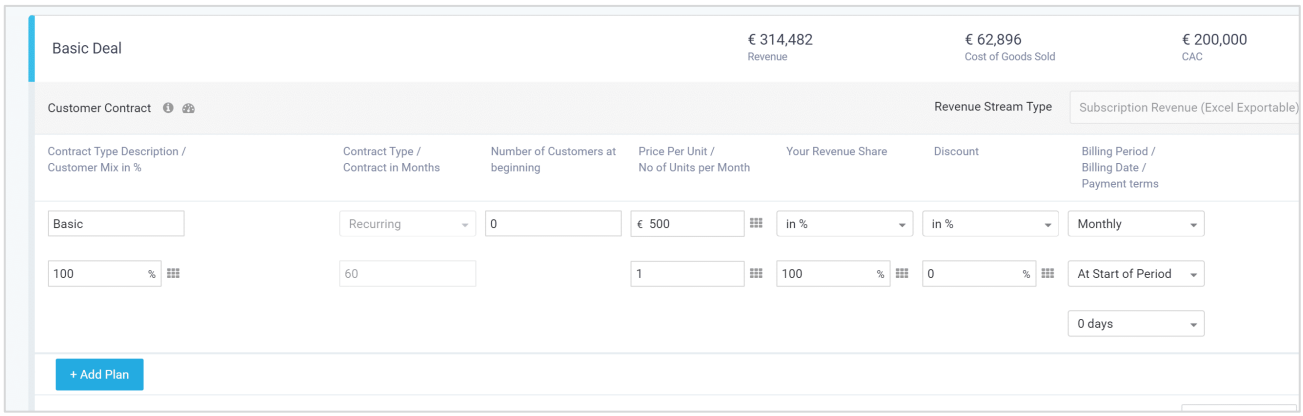


However, as long as subscription revenues remain flat over the contract lifetime both flavors deliver the same results. That's why we recommend to use the Fixed Lifetime Model. This model doesn't only support the export of all data to Excel, but also the export of a fully working Excel model - yes - including formulas!

Let's enter the name of the revenue stream, the name of the customer contract and set the field "Price per Unit" to $500.

With the field "No of Units per Month" set to 1 by default, this will result in Monthly Recurring Revenues of $500 (=$500 x 1)

By default, the billing period is set to "Monthly". This means that Basic Customers renew their contracts on a monthly basis. All other assumptions, we will add later.



Revenue Stream "Enterprise Deal"

For the revenue stream "Enterprise Deal", we are doing it exactly the same as for the revenue stream "Basic Deal". We add it as a Subscription Stream (Fixed Lifetime) but with MRR of $1,000.

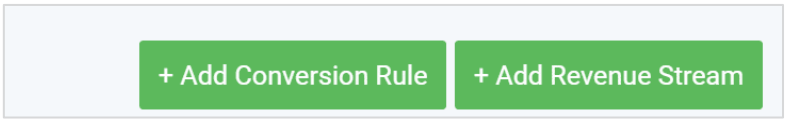
By default, every revenue stream models one customer contract. In SaaS, a customer contract is what we would typically call a Price Plan in the real world. In eCommerce this would more likely relate to different products or product baskets. If you want, you can add more than one customer contract to a revenue stream. You will find more information in our help center.

Connect Revenue Streams with Conversion Rules (Upsale)

Now, you are ready to connect the revenue streams and really model the Customer Lifecycle.

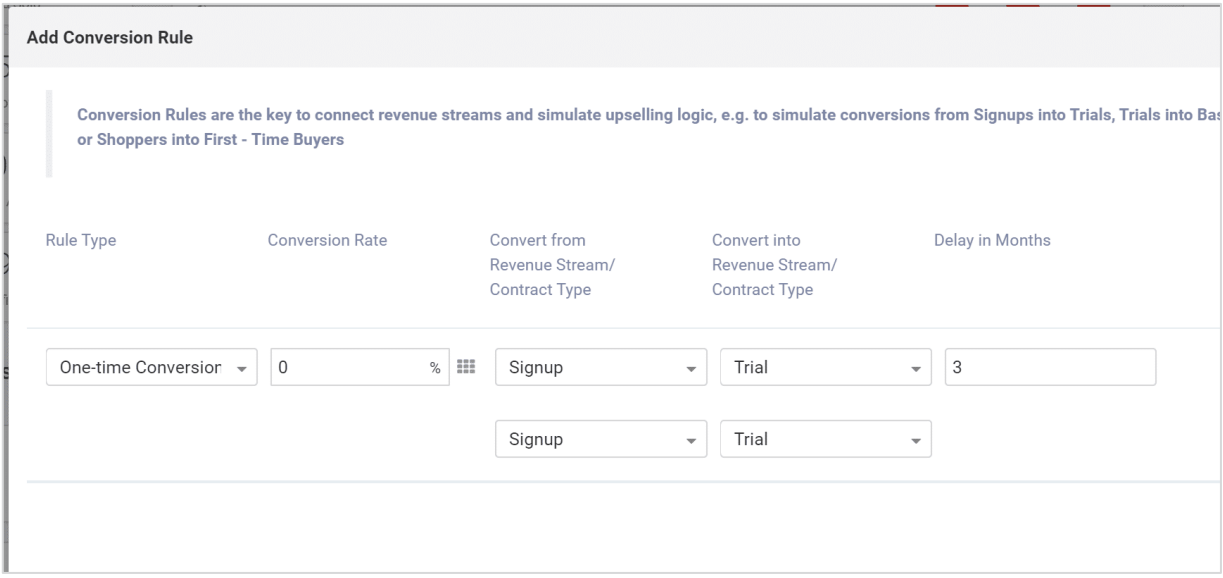
You do that by adding conversion rules which actually simulate the successful upsale or conversion from a signup to a paying customer.

Add a Conversion Rule by clicking the "+ Add Conversion Rule" button above the revenue streams to set up a new rule. Note that this button only appears if you have two or more revenue streams set up.



Let's now set up 3 conversion rules.

- Our first rule defines that 20% of Signups convert into Trials and that this takes a time delay of 3 months
- Our second rule defines that 10% of Trials convert into Basic Deals and that this takes 1 month and
- Our third rule defines that 20% of Basic Deals convert into Enterprise Deals after another 3 months

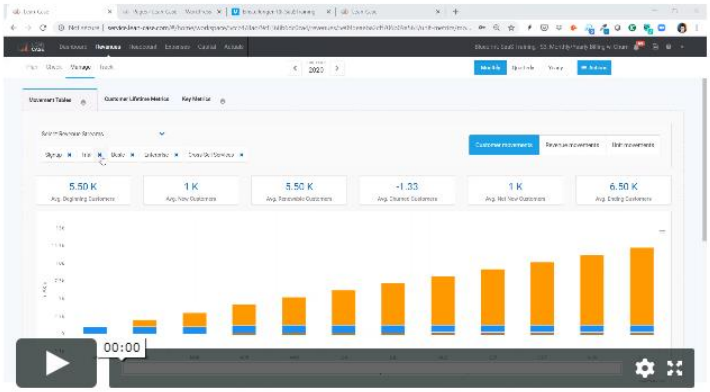


After saving the rules, we can see that the first revenues have been calculated after 4 months. That seems to be a good sign but before checking the revenues, let's check how customers move through the funnel.

Check Customer Movements

Let's recap those numbers. You check them in **Revenues > Manage > Movement Tables**.

- given the Marketing Budget of $10,000 per month and the Cost per Signup of $100, the business creates 1,000 new Signups per month.
- 20% of all new Signups convert or upsold into Trials with a delay of 3 months. If we check the Signup Revenue Stream, this means that - after 3 months - there are **200 Lost Signups** due to this Upsale per month - AND - if we check the Trial Revenue Stream this means that - after 3 months - there are **200 New Trials** from Upsale per month.
- 10% of all new Trials convert into Basic Deals with a time delay of 1 month. If we check the Trial Revenue Stream this means that - after 1 month - there are **20 Lost Trials** due to this Upsale per month - AND - if we check the Basic Deal Revenue Stream this means that - after 1 months - there are **20 New Basic Customers** from Upsale per month.



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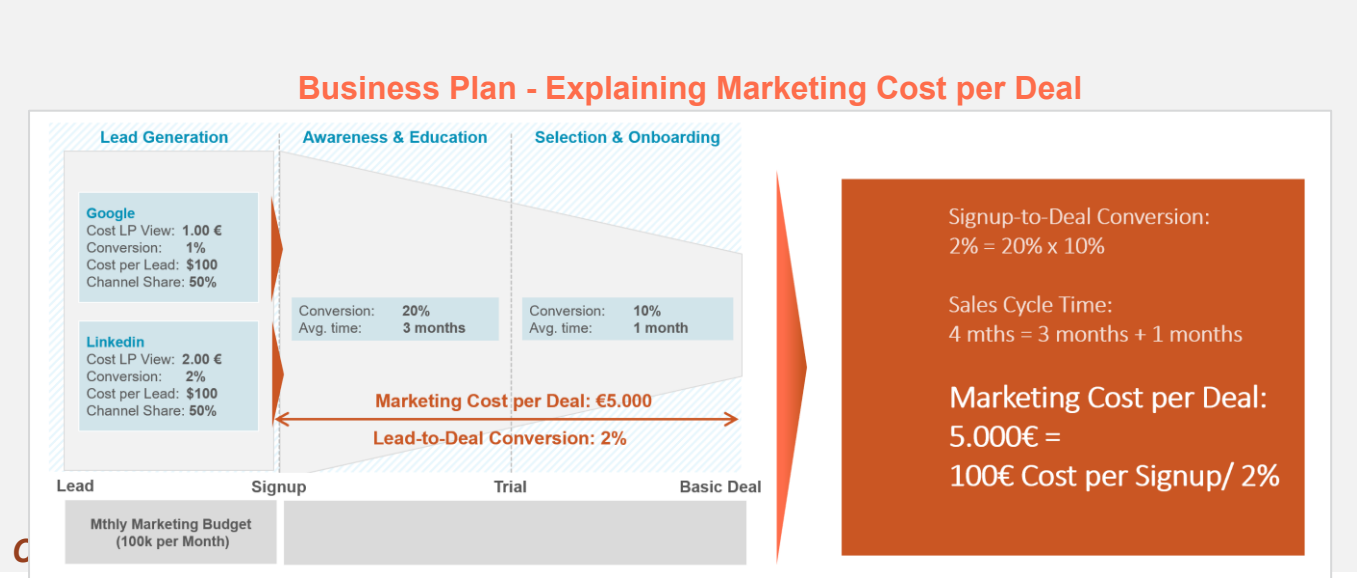
This means that ...

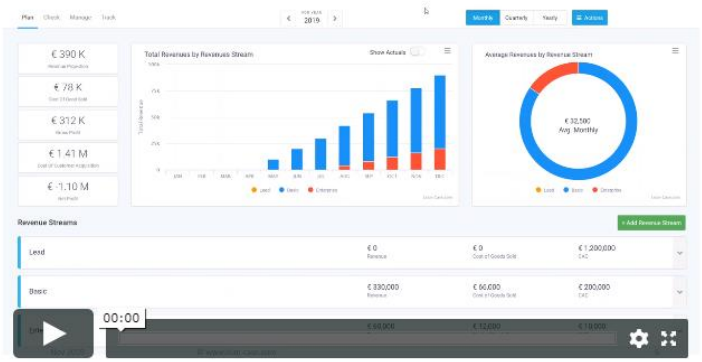
- the overall **Signup-to-Deal Conversion** is 2% which can be calculated simply as 20 Deals divided by 1,000 Signups or as 20% multiplied by 10% and
- the **Marketing Cost** to acquire a new Deal is $ 5,000 which can be calculated as $100 per Signup multiplied by 50 Signups required for 1 Deal or by dividing the Cost per Signup by the Signup-to-Deal conversion rate of 2%



Check Revenue Movements

Now, let's also check the basic revenue calculation. That’s still easy to calculate.

- 4 months after Signups were created: 20 convert into Basic Customers each with MRR of $500 which gives us New MRR of $10,000 (= 20 x $500)
- 3 months after Basic Customers signed up: 20% of them which means 4 (=20 Basic Customers * 20%) are upsold to Enterprise Customers.
- If we check the Basic Revenue Stream this means that - after 3 months - we are loosing 4 Basic Customers and show Lost Revenue due to Upsale of $2,000 (=$500 x 4). But if we check the Enterprise Deal Revenue Stream this means that - after 3 months - there are 4 New Enterprise Customers creating New Revenues from Upsale of $4,000 (=$1,000 x 4).
- In total, the upselling results in an additional $2,000 of MRR.



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Understand Movement Tables

As you can see in this example, the Movement Menu is very helpful to get transparency. You can check the movements of Customers, Revenues and Units. Below the movement chart you also find the table which shows you all numbers in detail.

Let's look at the Customer Movement table. You'll find:

- **Customers at BOP** (Beginning of each time Period) - which represent the number of Customers at each period
- **New Customers from Forecast** - which are a result of the volumes created by the Forecast Module
- **New Customer from Upsale** - which are new customers in a revenue stream as a result of an Upselling Conversion Rule.
- **Lost Customers from Upsale** - which are lost customers in a revenue stream because they are upsold to another revenue stream as a result of an Upselling Conversion Rules.
- **Renewable Customers** - which are customers who have to renew their contracts after contracts expired. Monthly Billing means that contracts are renewed on a monthly basis.
- **Churned Customers** - which are the number of customers not renewing their contracts as a result of churn.
- **Net New Customers** - which are sum of New Customers from Forecast, New Customers from Upsale Lost Customers from Upsale and Churned Customers
- **Customers at EOP** (End of each time Period) - which represent the number of Customers at the end of each time period. The Customers at the End of a given period become the Customers at the beginning of the next time period. Let's say that we have 1,000 customers at the End of January, then we start with 1,000 customers at the Beginning of February

Movements Tables

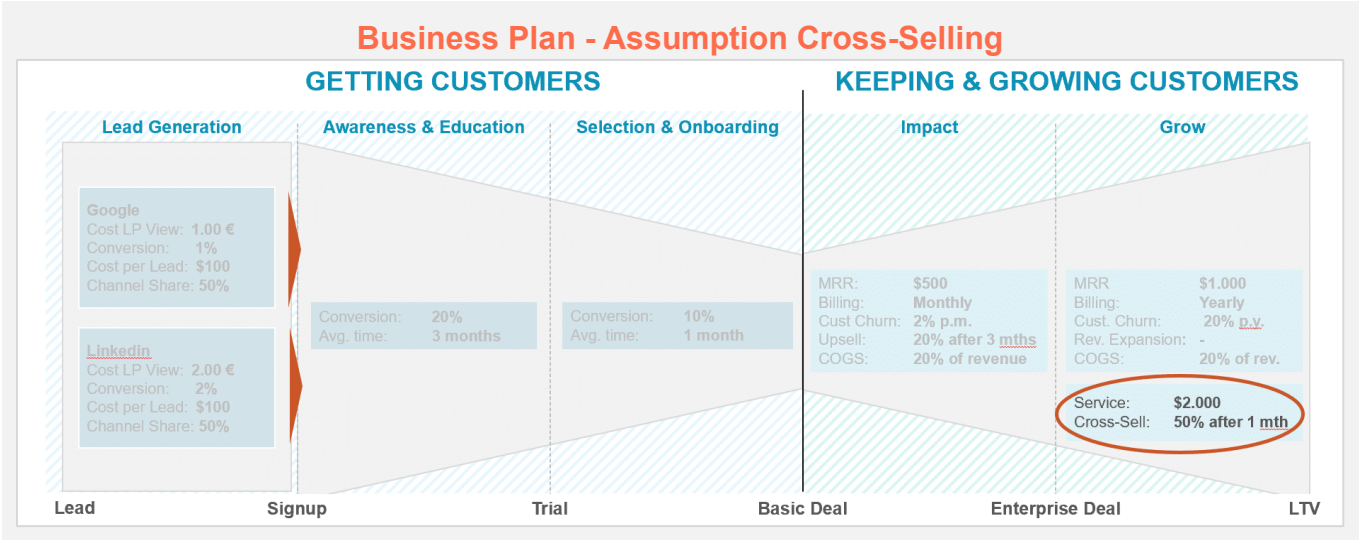
	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020
Customers at BOP	0	110.56	209.07	303.59	391.28	472.61	545.25	607.25	659.79	701.65	731.99	752.82
New Customers from Forecast	100.56	100.51	100.46	100.43	100.40	100.37	100.35	100.33	100.31	100.29	100.28	100.26
New Customers from Upsale	10	0	0	0	0	0	0	0	0	0	0	0
Lost Customers from Upsale	0	0	0	0	0	0	0	0	0	0	0	0
Renewable Customers	0	100	198	302.62	380.89	461.82	543.61	597.18	649.40	699.53	722.32	742.90
Churned Customers	0	-2	-5.94	-12.74	-19.07	-27.73	-38.35	-47.79	-58.45	-69.95	-79.44	-89.13
Net New Customers	110.56	98.51	94.52	87.69	81.33	72.64	62	52.54	41.86	30.34	20.84	11.13
Customers at EOP	110.56	209.07	303.59	391.28	472.61	545.25	607.25	659.79	701.65	731.99	752.82	763.95
Sold Customers	110.56	198.51	292.52	390.31	462.22	534.46	605.61	649.72	691.25	729.87	743.15	754.03
Net New Upsale Customers	10	0	0	0	0	0	0	0	0	0	0	0
New Customers from Forecast and Upsale	110.56	100.51	100.46	100.43	100.40	100.37	100.35	100.33	100.31	100.29	100.28	100.26

You'll find additional data in the table which calculate numbers required for value drivers used in Lean-Case, e.g.

- **Customers Sold** - which are the sum of new and renewed contracts - customers which were sold to but excluding upselling contracts
- **Net New Upsale Customers** - which is the balance of New Customers from Upsale and Lost Customers from Upsale
- **New Customers from Forecast and Upsale** - which are the sum of New Customers from Forecast and New Customers from Upsale

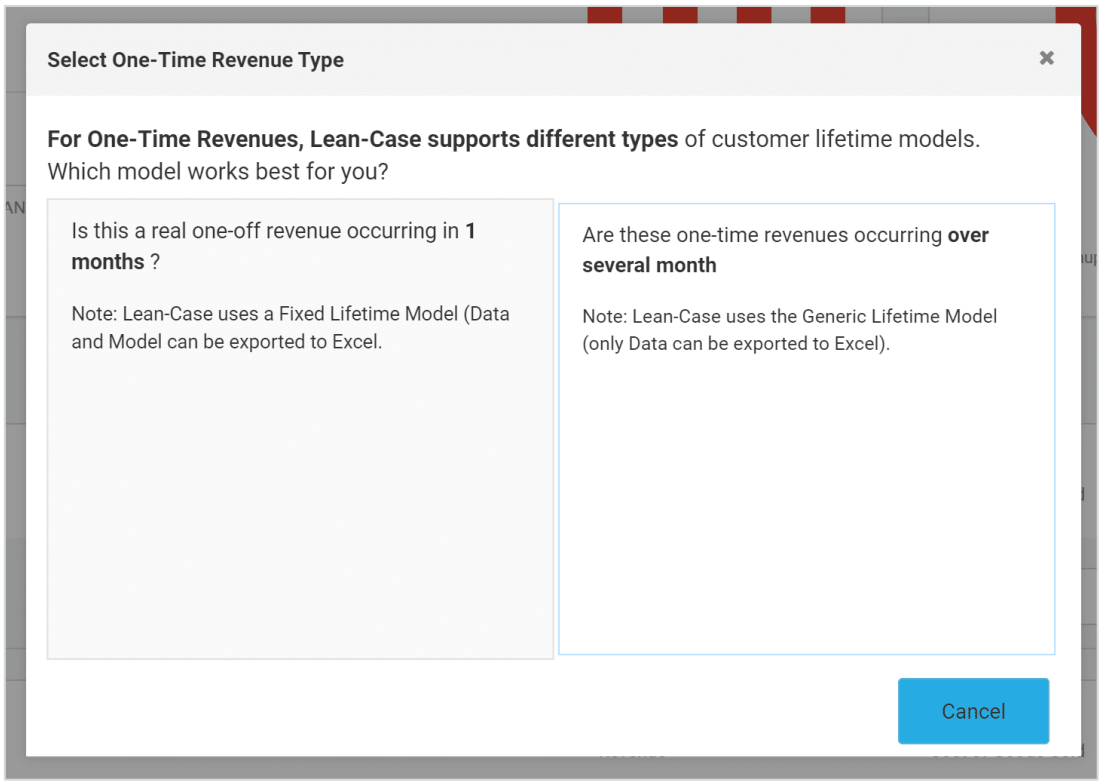
Add Cross-Selling

The last thing on the revenue side is to add the Cross-Selling Revenues. We assume that we can cross-sell two-day projects at a daily rate of $1,000 per day to interested Enterprise customers so these are integration revenues of $2,000 per Enterprise customer.

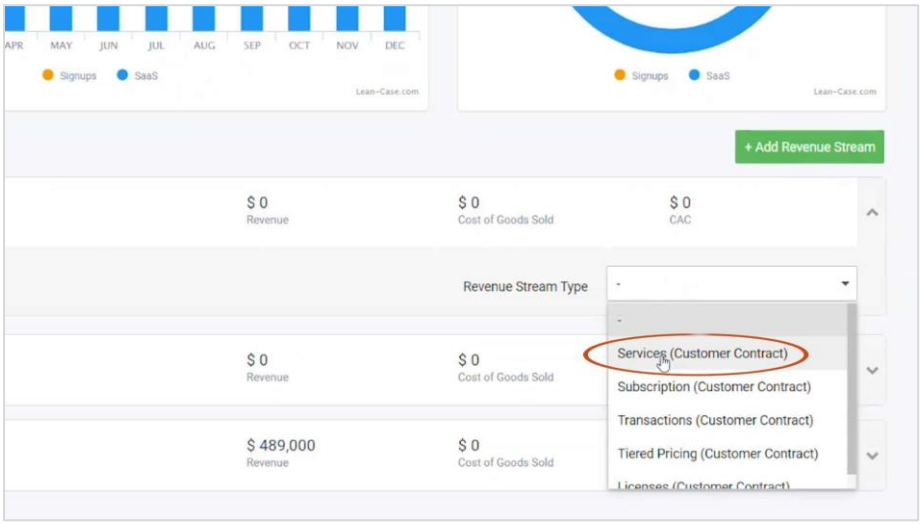


To model Cross-Selling In Lean-Case, we add another revenue stream and use a specific Forecast method.

The revenue type for this stream is One-Time Revenues. There are also 2 different flavors of One-Time Revenues. If your One-Time Revenues can be created in a 1 month period, also select the Fixed Lifetime Model. Fixed Lifetime Models do not only support data Export but full Model Export.



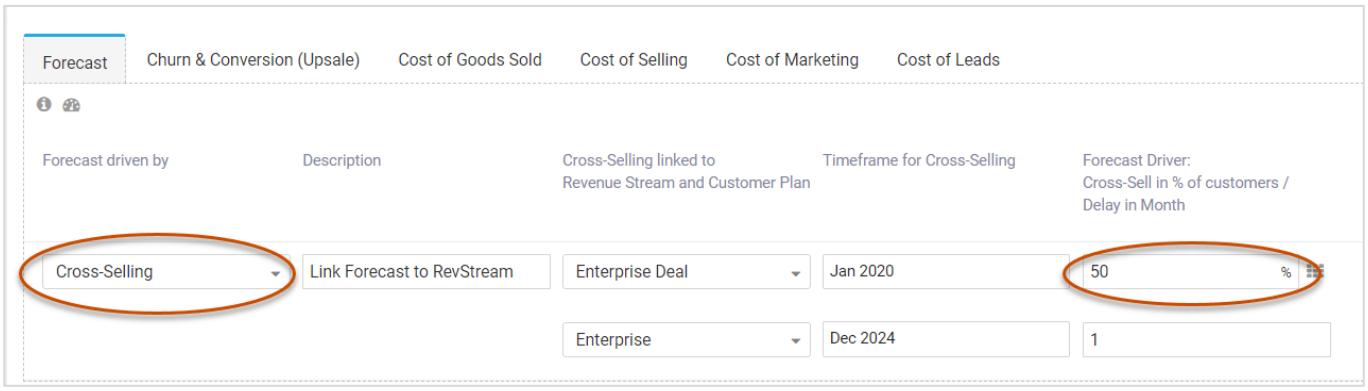
We assume that we can cross-sell two-day projects at a daily rate of $1,000 per day to interested Enterprise customers so these are integration revenues of $2,000 per Enterprise customer.



Now, how do we connect the cross-selling to our Enterprise customers?

Cross-selling in Lean-Case is just another forecast model.

We assume that we are cross-selling integration services to our enterprise customers and that 50% of them buy them with a delay of 1 month.



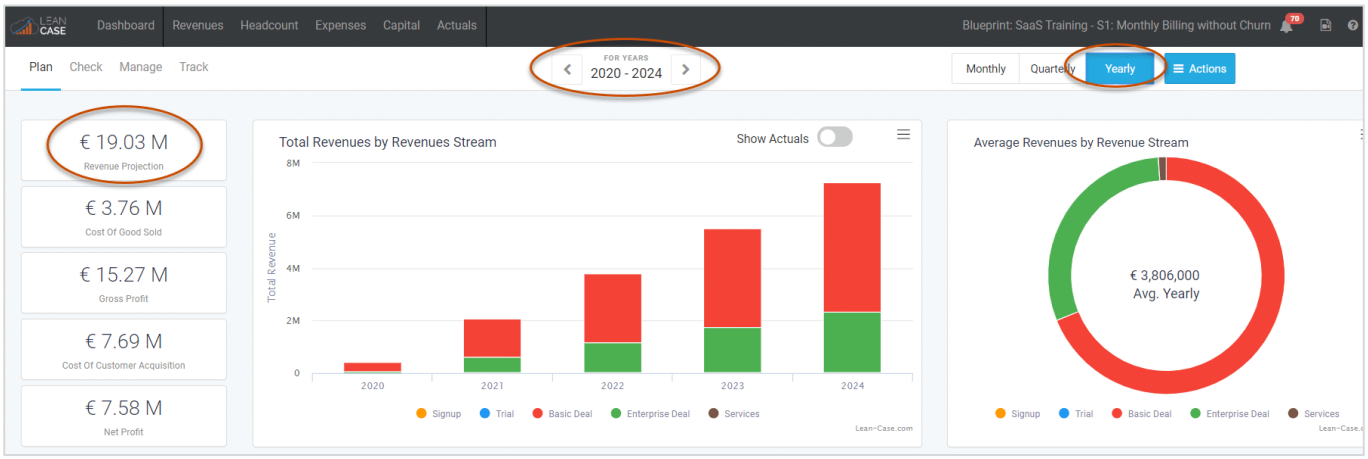
Let's save this and check.

We have 4 new enterprise customers per month, 50% of them - so 2 - buy our integration services. 2 x $2,000 gives us $4,000 of Integration revenues per month.

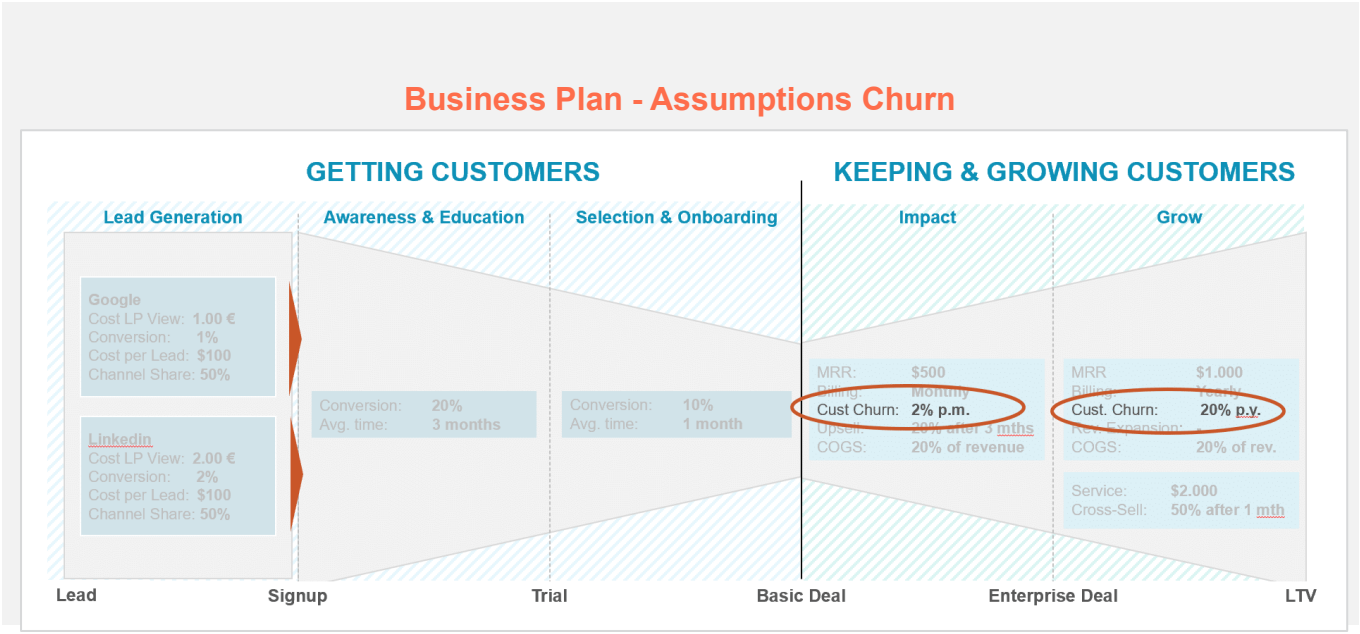
Add Customer Churn

We can see almost linear revenue growth – monthly, quarterly and yearly.

Revenues over five years sum up to $ 19 M

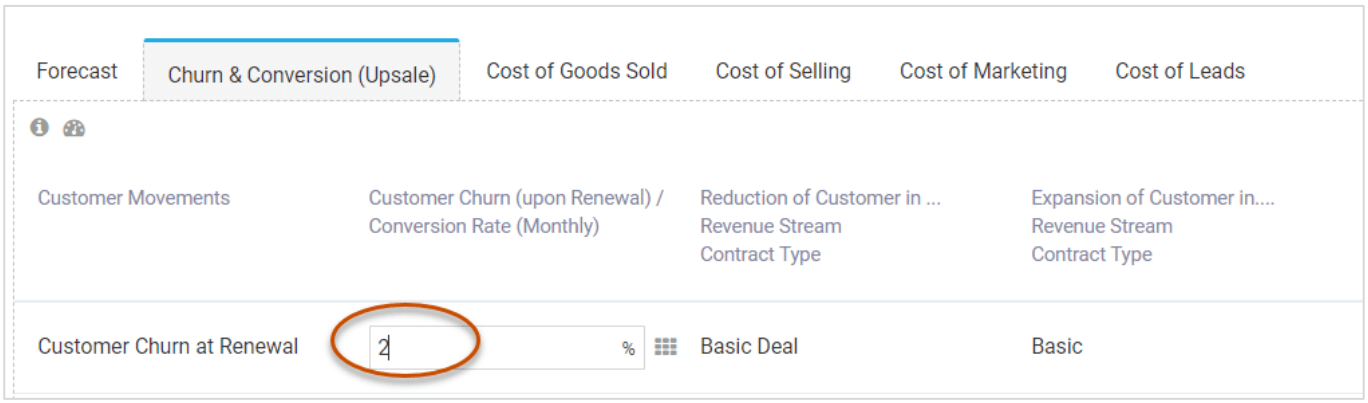


But unfortunately, that's not what we are seeing in SaaS Daily Life because customers also churn away. For our project, we assume that churn is 2% for our Basic and Enterprise customers.



You can add churn for each revenue stream in the tab "**Churn & Conversion**."

Because the plans are billed Monthly, customers can renew their contracts or churn on a monthly basis. This is why this is 2% is churn on a monthly basis.

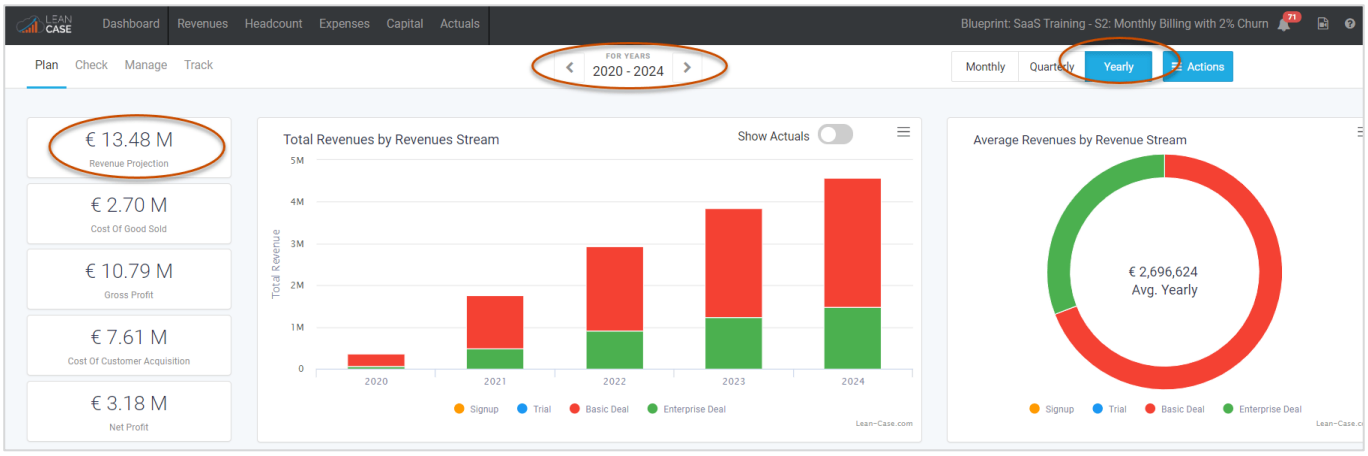


When we save this data, we can see that our growth is no longer linear.

Actually, revenue starts plateauing. What is happening here? The acquisition of new customers is just good enough to compensate for the customers which are churning.

This is actually very expensive. We are spending money to get new customers into the door instead of spending money to keep the existing ones happy.

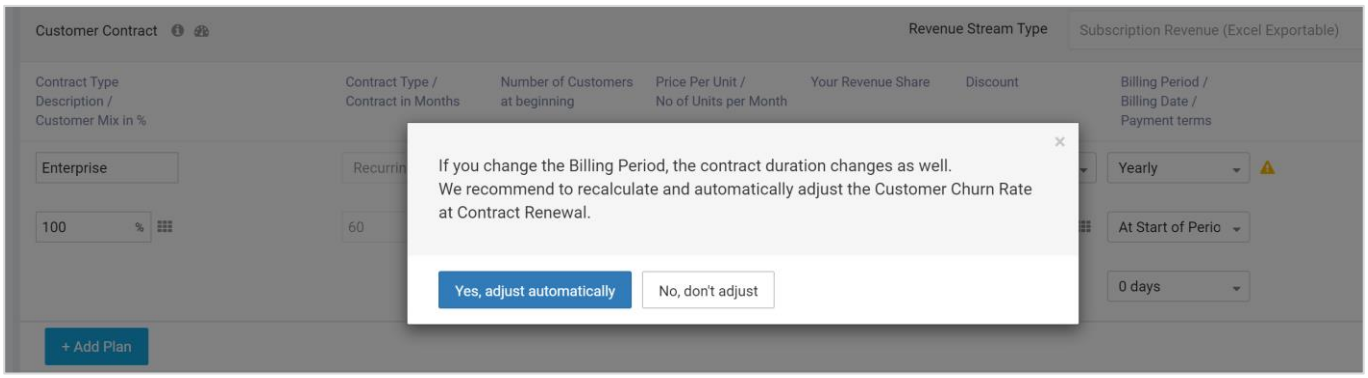
A 2% monthly Churn reduces the $19 M 5-year-Revenues by 30% to $13.5 M



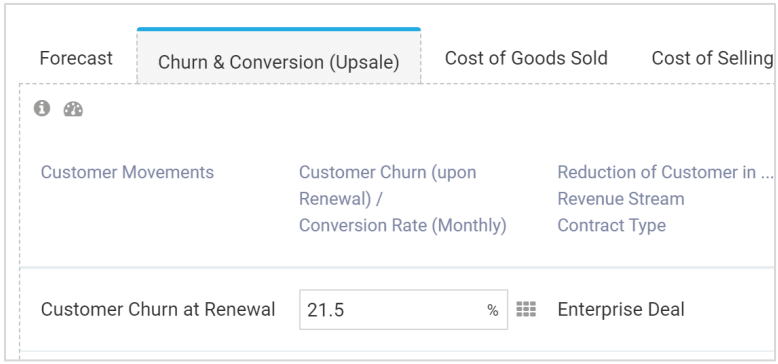
It is important that you understand the connection between the contract period and the churn rate. If you change the contract period, the churn rate will also change.

Let's make an example and change the Billing Period of the Enterprise Customers from Monthly Billing to Yearly Billing, i.e. that the contract duration increases from 1 months to 12 months.

Lean-Case offers you to recalculate the churn rate automatically.



In this example - if you agree to adjust the churn rate automatically - Lean-Case recalculates the Monthly Churn Rate of 2% into a Yearly Churn Rate of 21.5%



You can - of course - check the number of churned customers in the Customer Movements tables – but let me show you an alternative way.

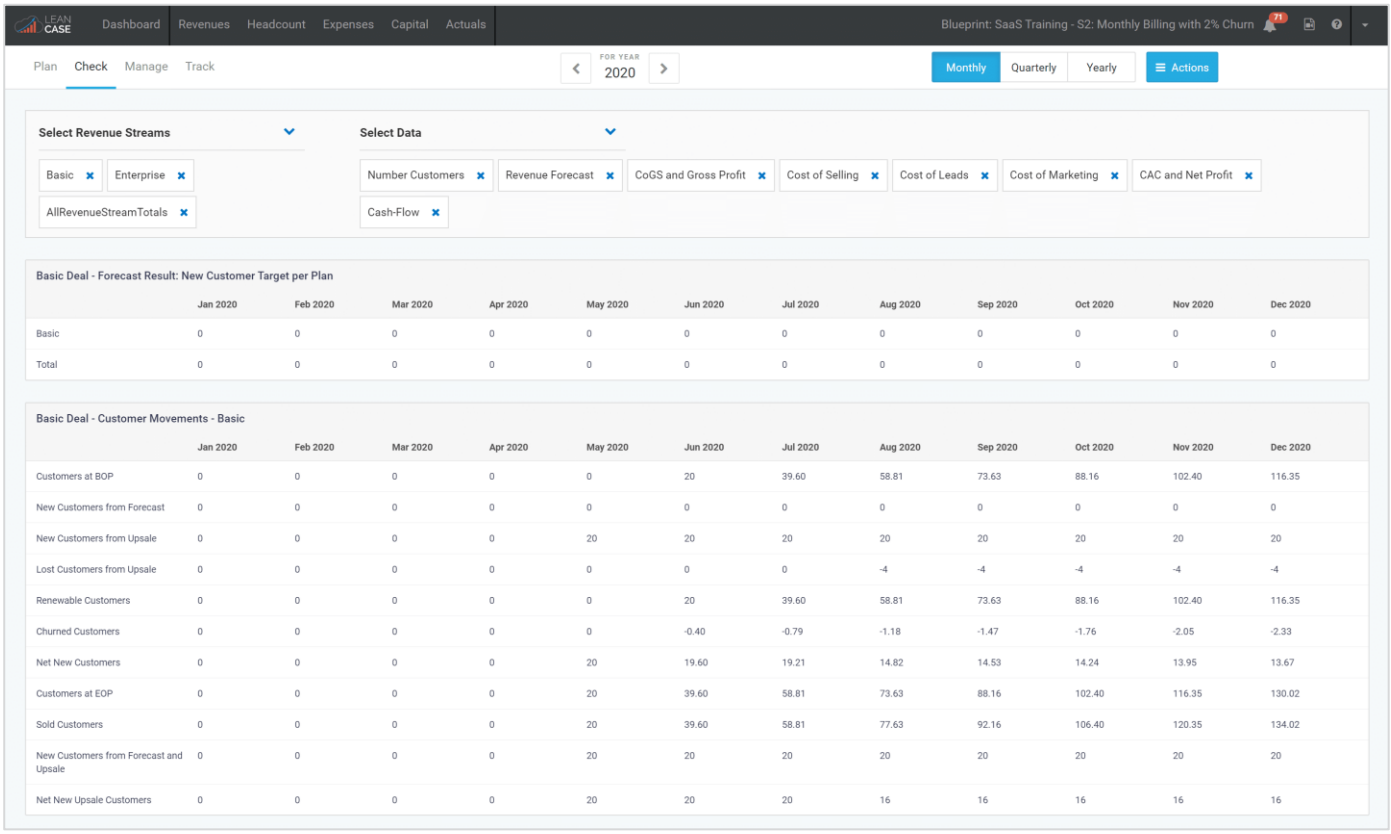
Review data in the Check Menu

All numbers which Lean-Case calculates, you can check in the Check Menu. The Check Menu gives you a lot of transparency to understand the calculations which are happening in Lean-Case. We can filter all data by revenue stream and metric type.

And we can check the Customer Movements Tables for both plans.

Remember we have 20 new Basic Customers per month.

As the basic plan is a Monthly Plan - we have our first churn already after the first months. If this were a quarterly plan, we would have our first churn only after the third month.

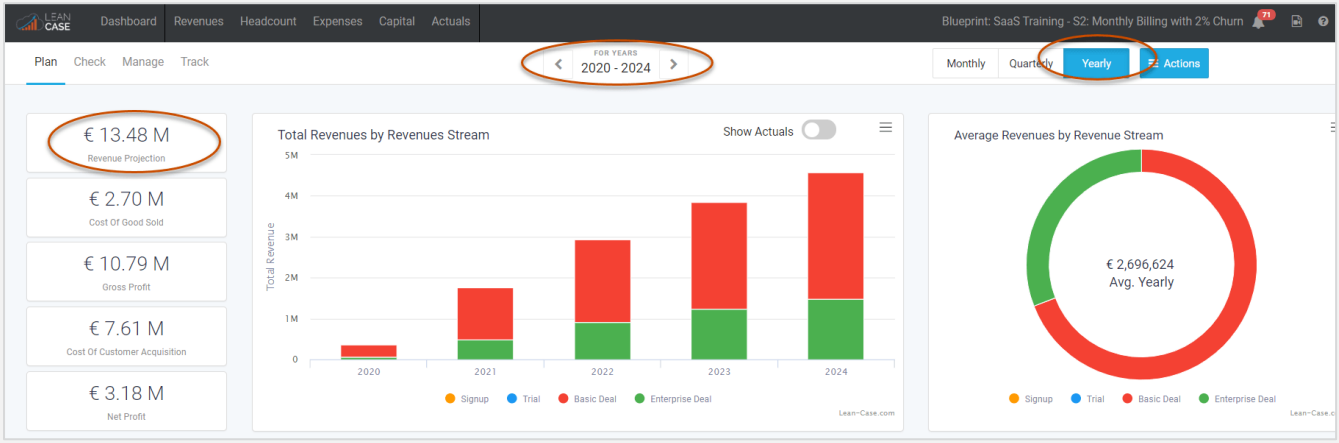


Answer Question 1: What's your revenue potential?

We have now entered all the data to answer the first business question: What's your revenue potential?

Earlier we saw that revenue potential totals $ 19 M over 5 years without churn. Due to churn this number finally decreases by 30 % to $ 13.5 M.

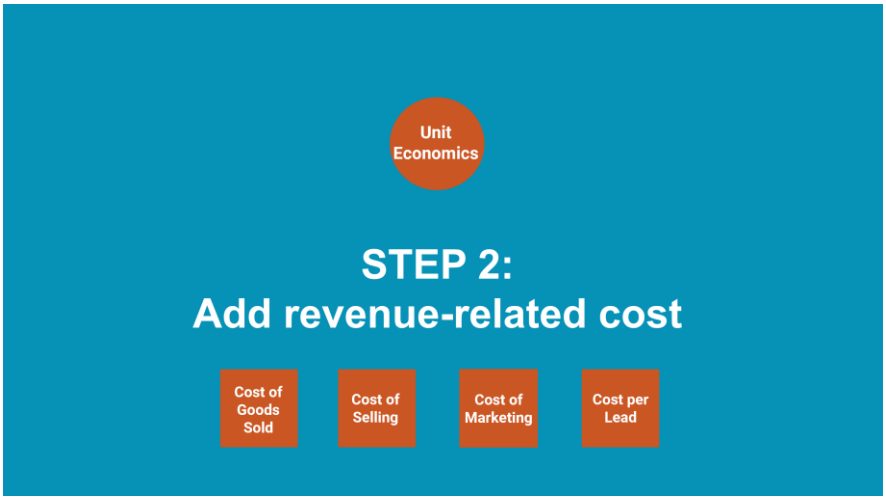
To answer the next business question on business viability "Is Customer Lifetime Value significantly higher than Cost of Customer Acquisition?", we have to enter all revenue related costs.



Step 2: Unit Economics - Add Revenue Related Costs

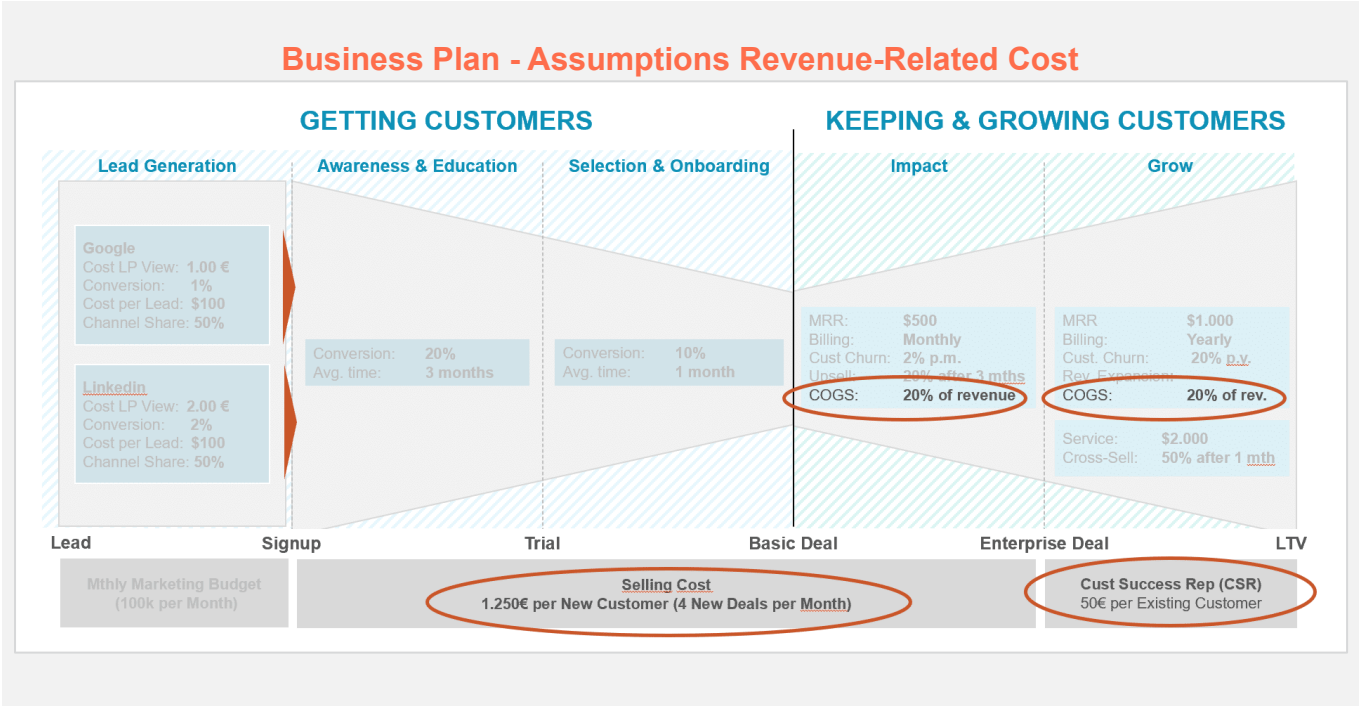
To answer the question unit economics work - If CLTV >> CAC?" - learn how to add revenue-related cost which include

- **Cost of Goods Sold -** the cost to produce for, deliver to and support **existing customers.**
- **Cost of Customer Acquitions** - the cost to acquire **new customers** incl
  - **Cost of Selling**
  - **Cost of Marketing**
  - **Cost per Lead**



For all the cost types, you have 4 options to enter them

- **Time-based cost,** e.g. minimum hosting cost which can be $1,000 per month growing at 2% on a monthly basis.
- **Volume-based cost which occur once** - e.g. $100 to onboard each new customer. They occur once, per every new customer in the Basic revenue stream.
- **Volume-based cost which occur monthly** - e.g. $10 as a customer service charge for each existing customer at the end of the month.
- **Percent-based cost** - e.g. payment cost as a percentage of revenues or
- **One-Time or irregular Expenses** - you can simply add an Expense Item by creating, uploading and/or editing a data series.



As described above, revenue related costs cover the **Cost of Customer Acquisition** consisting of **Cost of Selling, Cost of Marketing, Cost of Leads** and the **Cost of Goods Sold** to produce for, deliver to and support existing customers.

Add Cost of Goods Sold (COGS)

We start with Cost of Good Sold which are all the cost to keep your existing customers running. For example, COGS are:

- **Time-based cost**, e.g. minimum hosting cost which can be $1,000 per month growing at 2% on a monthly basis.
- **Volume-based cost which occur once** - e.g. $100 to onboard each new customer. They occur once, per every new customer in the Basic revenue stream.
- **Volume-based cost which occur monthly** - e.g. $10 as a customer service charge for each existing customer at the end of the month.
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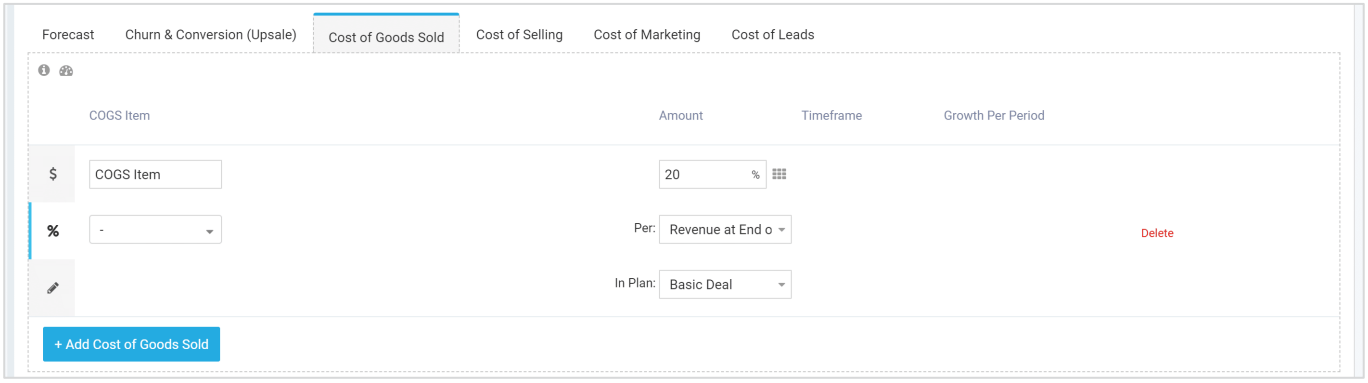
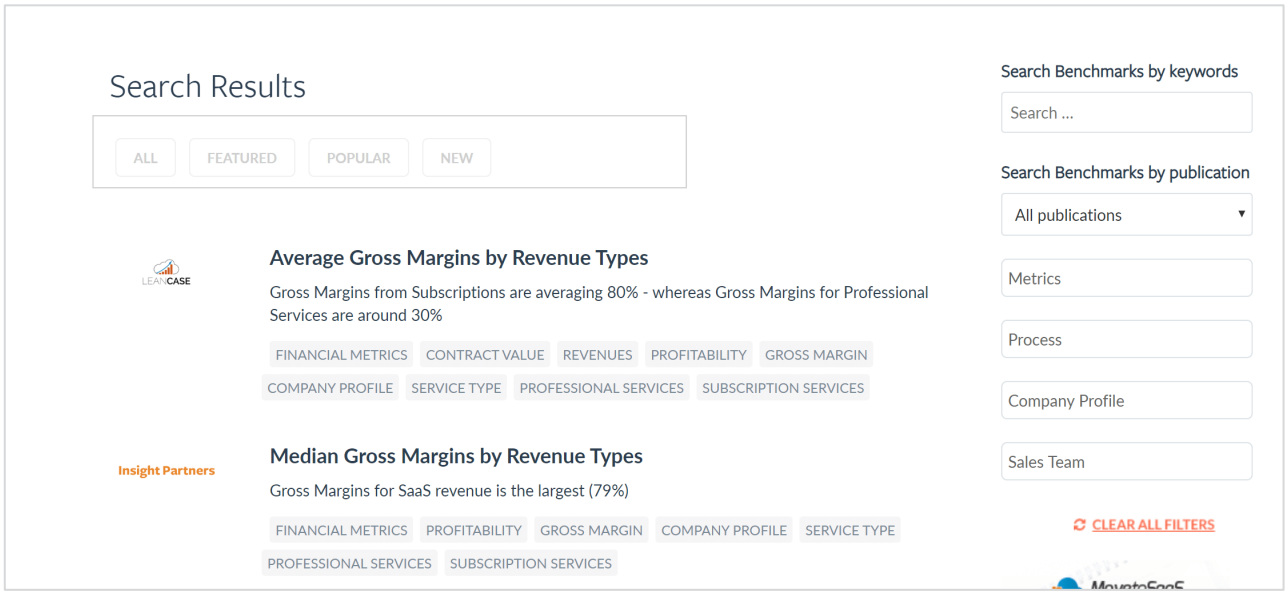


But what happens if you don't know all that data?

You can also check our benchmarks by clicking the benchmark icons. 

These are context sensitive. I.e. that clicking the benchmark icon under COGS gives you COGS related benchmarks. Here – for example – you find a benchmark regarding the average gross margin by different revenue types.



You learn that the average gross margin for SaaS revenues is about 80% (in turn that means that COGS are about 20%) and that the average gross margin for professional services is much much lower.

Going back to Lean-Case, we now assume COGS of 20% of revenues and enter them for both revenue streams, Basic and Enterprise (see screen above).

Add Cost of Selling (CoS)

Next, let's go the Cost of Selling. Remember the business goes to market with an Inside Sales Teams converting the Signups into Customers.

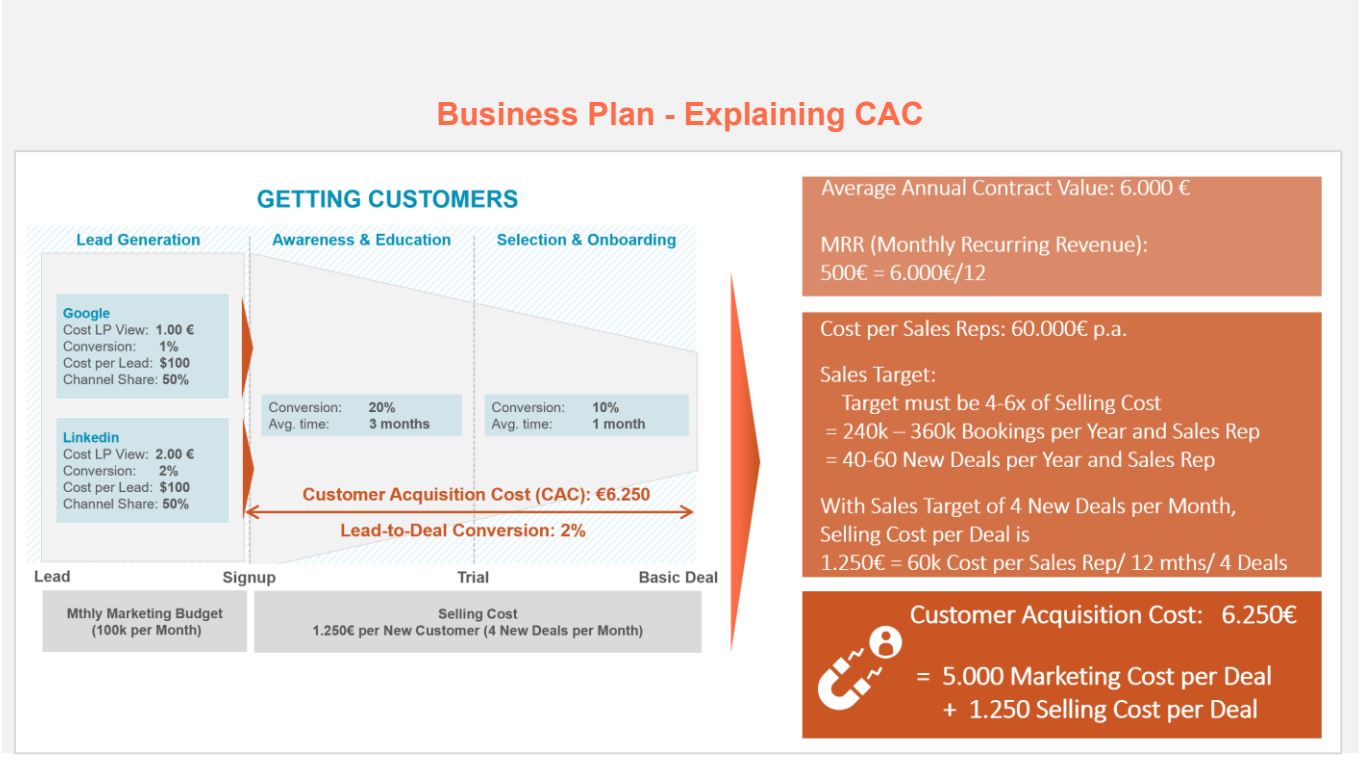
This is why we have to enter cost for this Sales Team in the Rev Stream Basic Customers.

Let's assume the annual cost per sales team is $60,000. Typically, the Sales Target of a Sales Rep must be at least 4-6 times the salary cost which would correspond between $240k and $300k in terms of Annual Bookings.

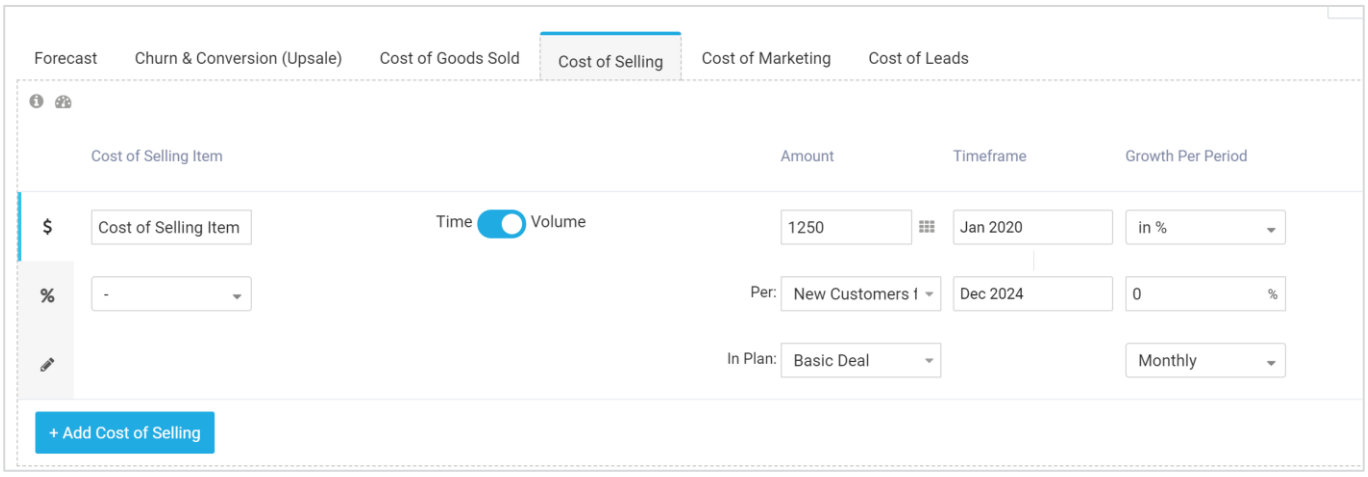
At at annual contract value of $6k, this would require between 40-60 New Deals per Year and Sales Rep.

Let's assume a Sales target of 4 New Deals deals per month, then Selling Cost per deal is monthly salary of $5,000 divided by 4 new deals per months which eaquals $1,250.

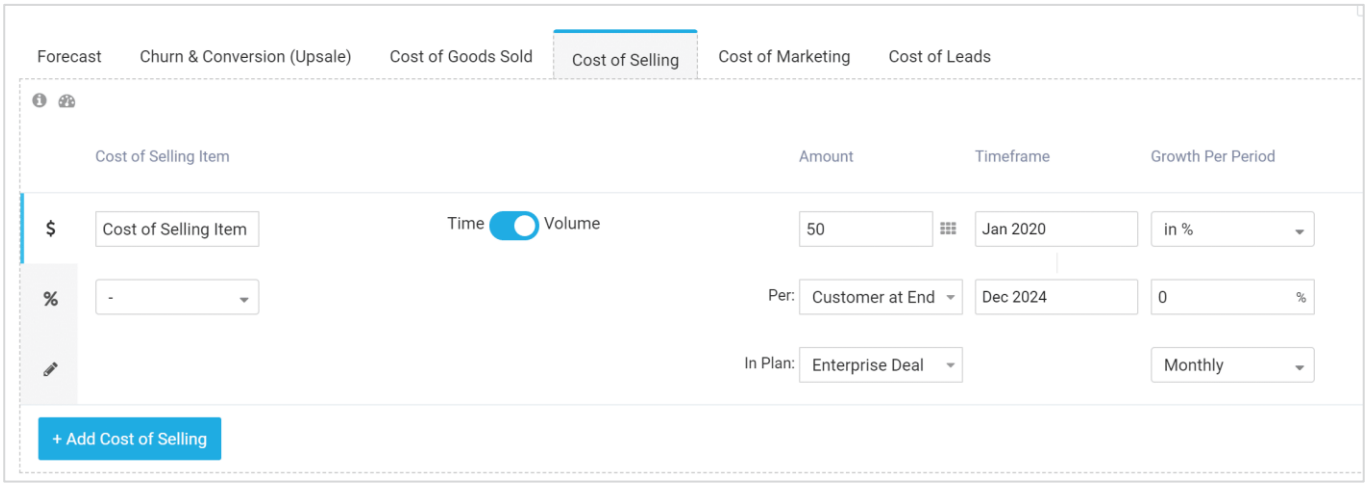
On top of the Marketing Cost of $5,000 per Basic Customers, this increases the CAC to $6,250.



Let's add these cost of $ 1,250 per new customer to the tab "Cost of Selling" as volume driven cost per new customer.



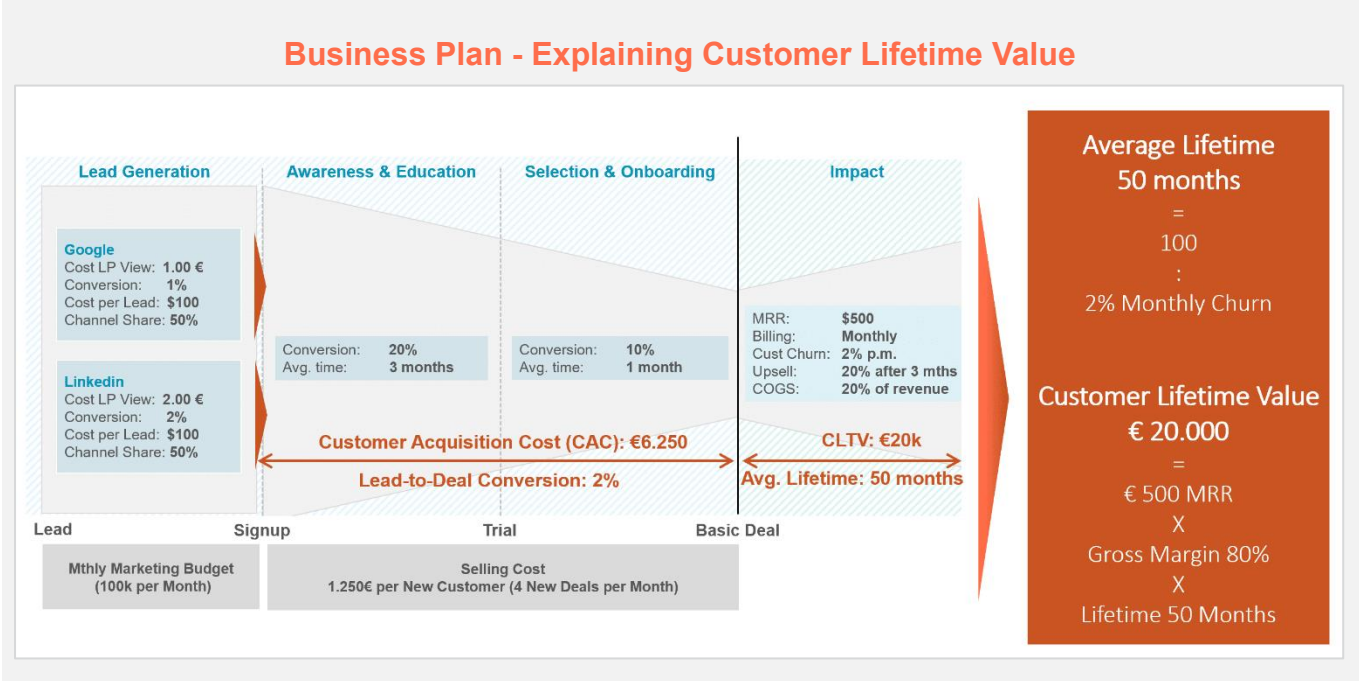
In addition, we assume Customer Service Charges of $50 per for Enterprise Customers. Let's add this cost item to the tab "Cost of Selling" in the Enterprise Revenue Stream as volume driven cost per existing customer.



Check Lifetime Metrics

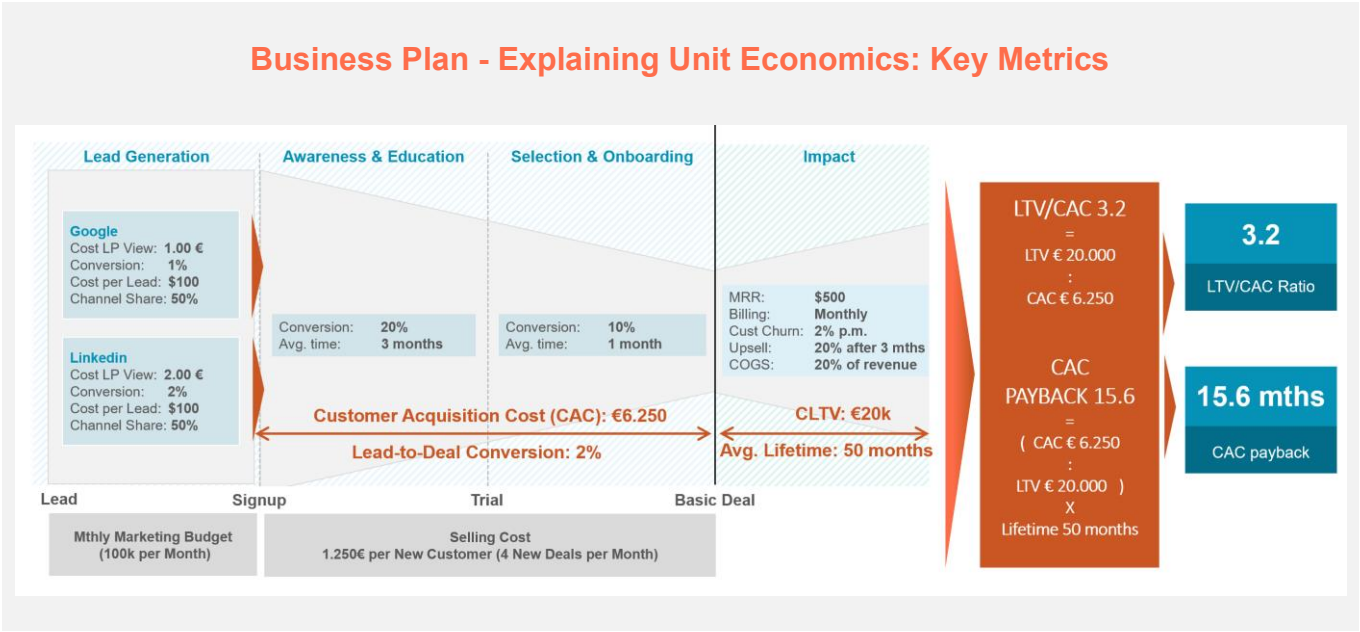
After entering all revenue related costs, we can now check the unit economics and answer if CLTV > CAC. We can still calculate them "manually" if we just consider the Basic revenue stream.

- Average Lifetime Value in months is calculated by dividing 100% by the average monthly churn rate which is 2%
- Customer Lifetime Value is calculated by multiplying the Average Monthly Revenue by the Gross Margin in % and the Lifetime in Months



Having calculated CAC, the average Lifetime of a customer and the Lifetime Value, we can now calculate 2 key ratios to determine the unit economics:

- The long-term indicator **LTV/CAC** shows how many times the LTV exceeds the CAC (ideally a ratio greater than three)
- The short-term indicator **Months to Recover CAC** (aka: CAC Payback) defines how fast you recover the CAC (ideally faster than 12 months).



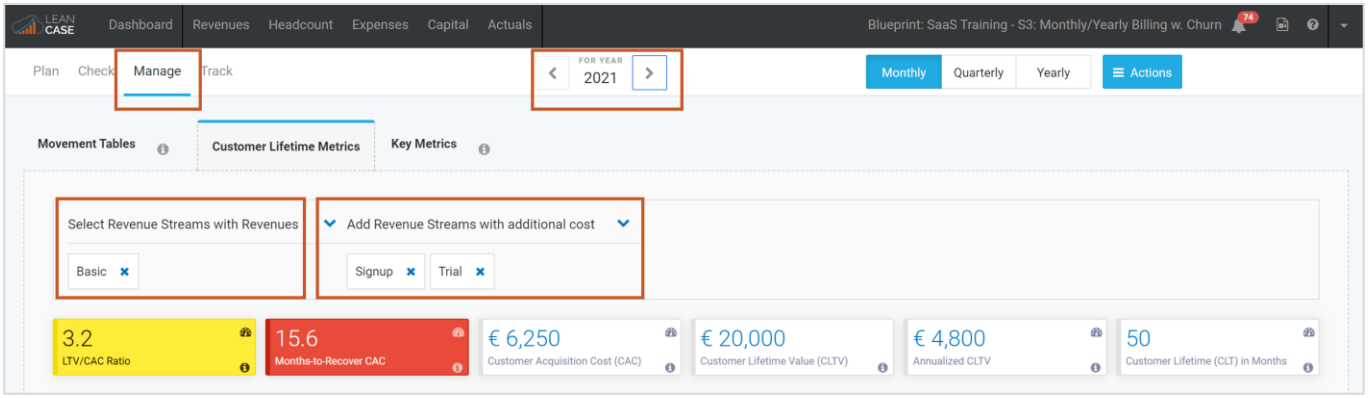
Now let's see how we can check these indicators in Lean-Case.

Go to **Revenues > Manage** and select the tab "**Customer Lifetime Metrics**" . You'll find 2 filters to select the revenue stream for which you want to calculate unit economics

- In the first filter, Lean-Case by default selects all revenue streams which carry revenues and for which you want to evaluate the unit economics.
- In the second filter, Lean-Case by default selects all funnel revenue streams which carry cost related to the primary revenue streams but no revenues.

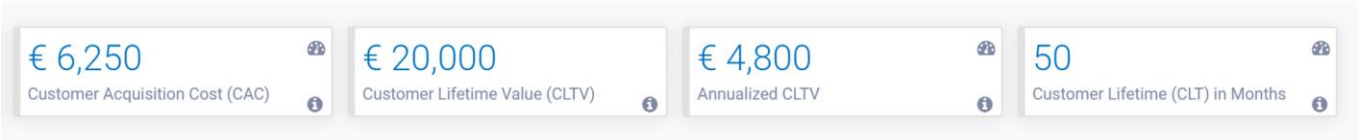
To verify the results which we calculated manually, let's pick the revenue stream "Basic" as the primary one to check its unit economics and select the funnel streams "Signups" and "Trials" which have an impact on the Cost of Customer Acquisition of the Basic Customers.

Let's also select the second year of the project which in this case is 2021 to check the unit economics. Why? Because in the first year we accrue CAC already in the first month but only start signing up customers in the second half of the year. This results in higher cost to acquire a customer in the first year.



Let's first take a look to understand the key metrics on the right side of the screen.

- Customer Acqisition Cost (CAC)
- Customer Lifetime Value (CLTV)
- Annualized Customer Lifetime Value and
- Customer Lifetime (CTL) in Months



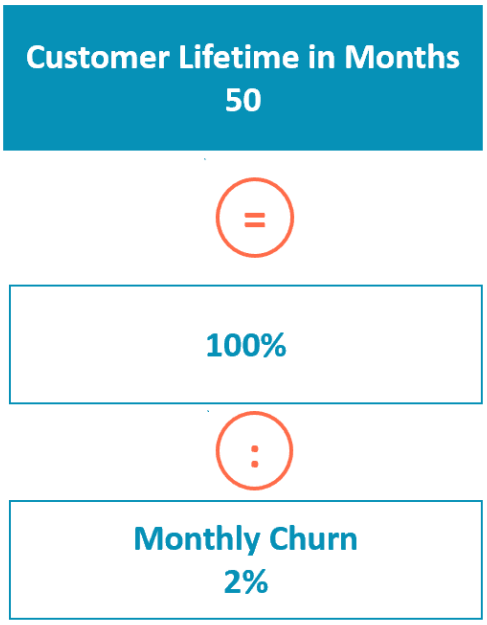
Let's go one by one:

Cost of Customer Acquisition

First of all, let's check the cost of customer acquisition which we have calculated to be $6,250. Magic! Our calculated number matches the Lean-Case calculation.

Customer Lifetime in Months

Secondly, we see a lifetime of 50 months which corresponds to a monthly churn rate of 2%

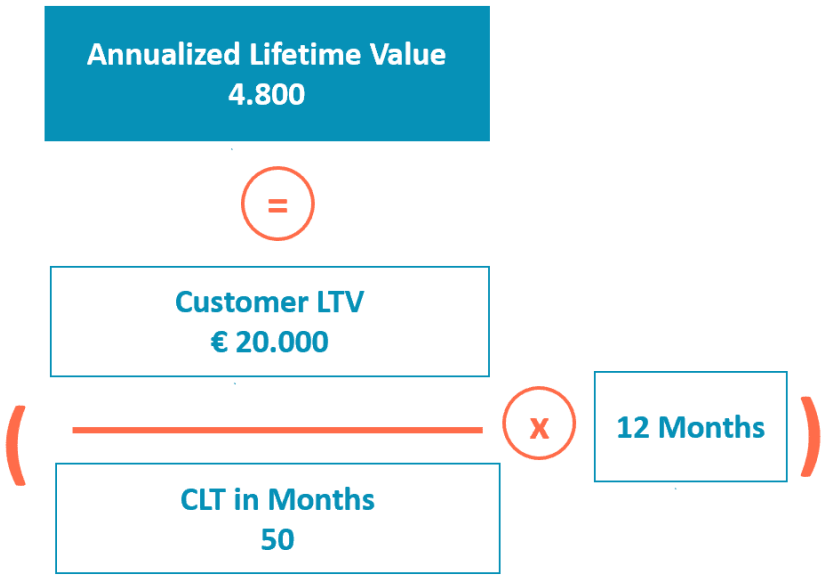


Customer Lifetime Value

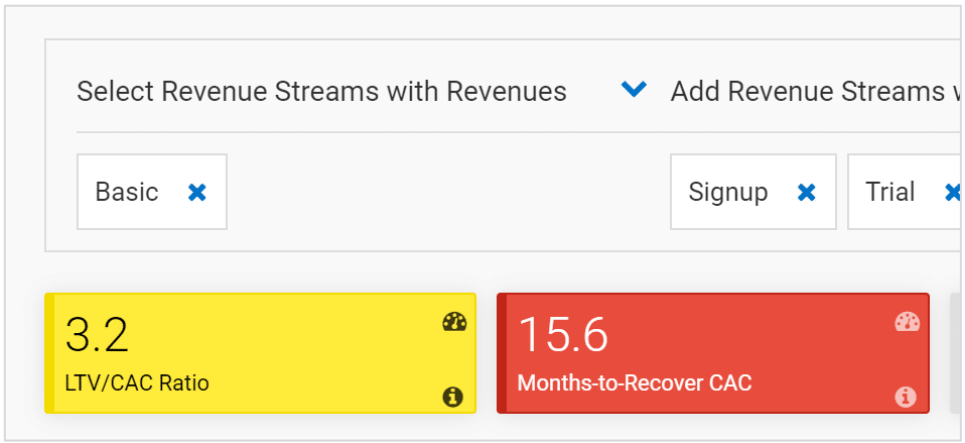
Third, you can find the Lifetime value of $20,000 which multiplies the Gross Margin, the Customer Lifetime in Months and the average monthly revenue (often referred to as ARPA - Average Revenue per Account) .

Annualized Customer Lifetime Value

Third, you can find the Annualized Customer Lifetime Value which is the amount of the Customer Lifetime Value generated in 1 year.

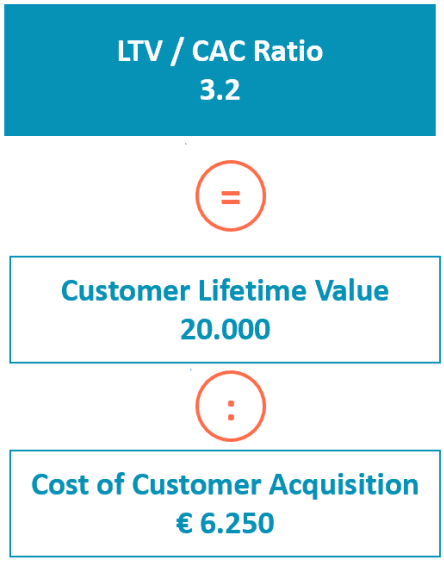


Now, we have all the ingredients to calculate the unit economics for the Revenue stream "Basic".



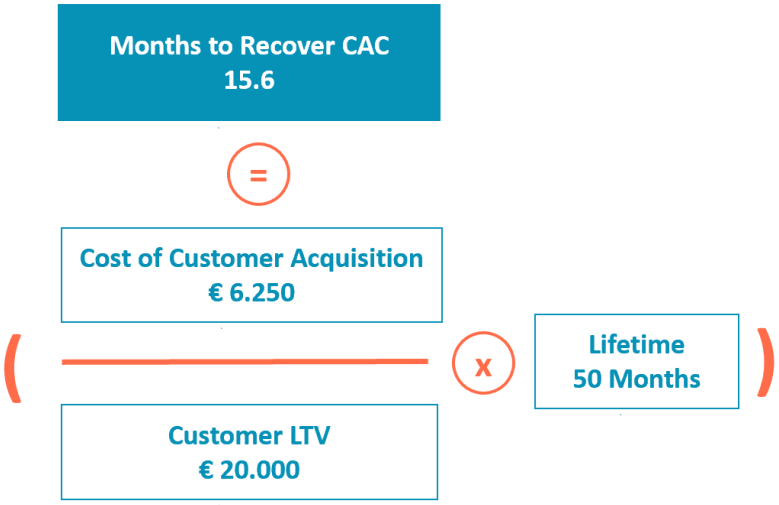
LTV/CAC Ratio

LTV/CAC Ratio. It is a long-term indicator which shows how many times the LTV exceeds the CAC (for SaaS B2B businesses this should ideally be greater than three) and because it is just around 3 this traffic light indicator signals a yellow flag.



Months to Recover CAC (CAC Payback)

Months to Recover CAC – is the short-term indicator which defines how fast you recover the CAC. For a SaaS B2B this should ideally be faster than 12 months and because this is much larger, the traffic light shows a red flag.



Answer Question 2: Is your business viable?

After all these calculations, we can now answer if our business is viable.

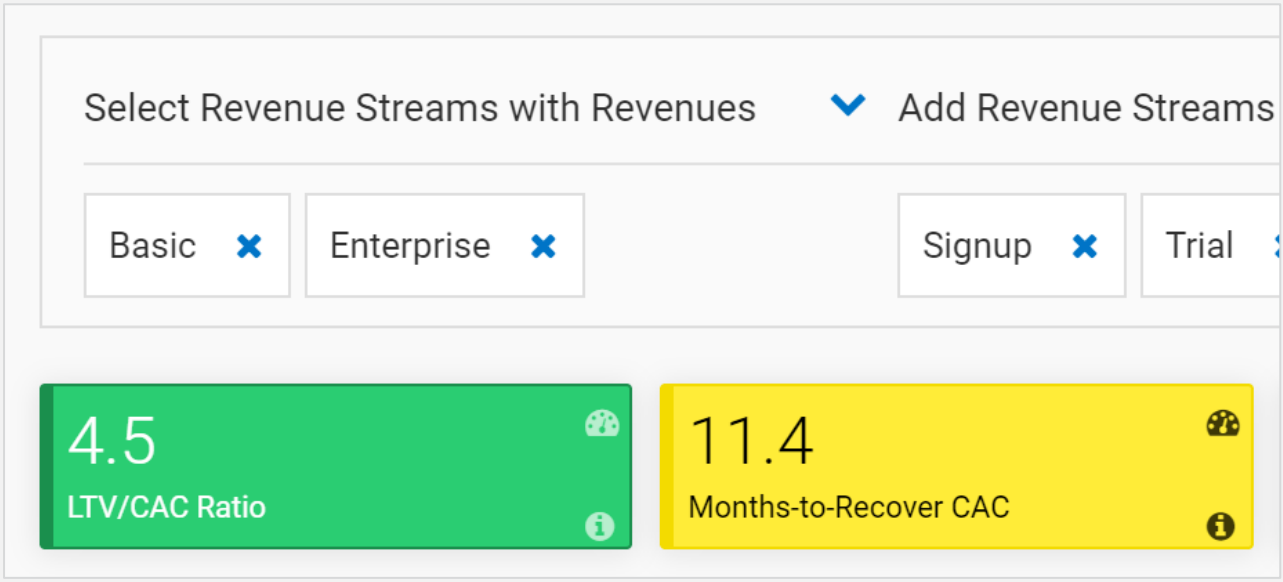
And, of course we can do this in a much more complex way than just calculating the unit economics for 1 revenue stream.

For our example project, what's relevant is to understand, is what the combined unit economics of the Basic and Enterprise revenue stream are.

Showing you a formula for this or doing this in Excel is no longer a simple exericse. In Lean-Case, just add the revenue stream "Enterprise" to the filter and check the result. We can see that unit economics become much better and the LTV/CAC ration turns green.

This is evident, right?

By upselling, we replace a Basic customer with an Enterprise customer which has higher average revenues.



Isn’t this nice!

We haven’t even been spending 20 minutes to put the assumptions together but already have real good insights – and we haven’t discussed a single excel formula.

For now, we have finished the revenue side also addressing the second business question of Business Viability.

Let’s now address the third and fourth question of Business Profitability and Cash-Flow Required by adding headcounts and expenses.

Step 3: Profitability - Add Headcounts & Expenses

To answer the business question "when your business is becoming profitable", you must add

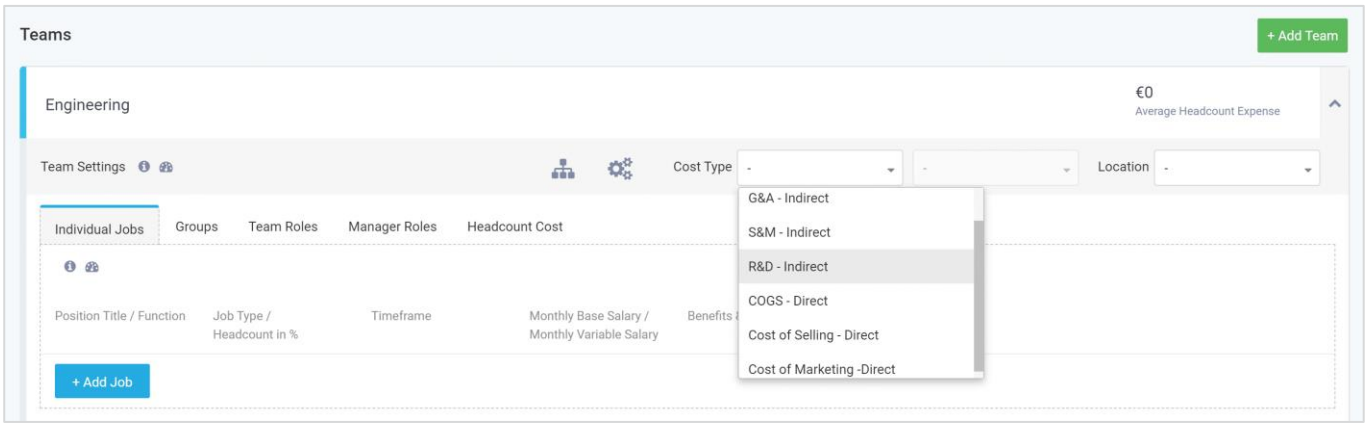
- add headcount cost for jobs, job groups, team roles and manager roles
- staff-related cost as well as
- other expenses for General & Administration (G&A), sales & marketing (S&M) and research & development (R&D)

Add Headcounts

Typically, the biggest block of expenses in a company are headcount cost. In Lean-Case, you can add headcounts via the **Headcount > Plan** menu. Similar to adding different revenue streams, you can add also add various Headcount teams.

Headcount Teams are the basic Lean-Case concept to add and manage different types of headcounts in your Lean-Case project, e.g. all headcounts in an Engineering Team like:

- the **Jobs** for the VP of Engineering and his assistant
- a **Group** of Software Developers growing over time
- **Team Roles** like in Customer Support which grow with the number of customers
- **Manager Roles** which have to be hired over time to manage the increasing number of Software Developers and Customer Support Roles



To add a new team, click on **<+ *Add Team*>** . Give your Team a name, e.g. "Engineering Team" and assign the right categories, specifically the right cost type for the team - either:

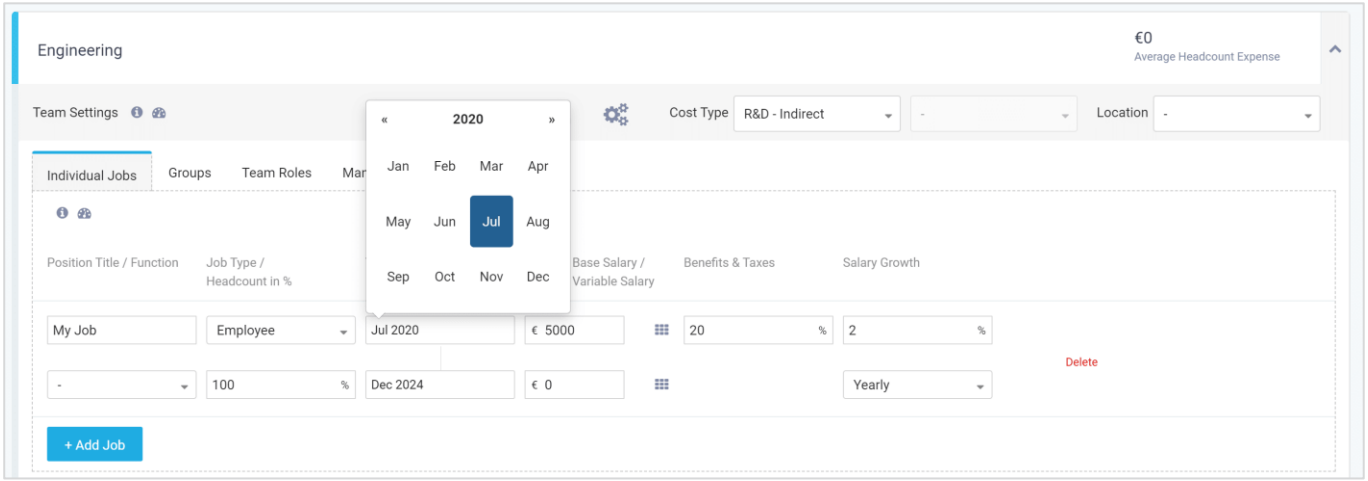
- **Indirect Cost** related to G&A, S&M or R&D or
- **Direct cost** – cost which are directly related to revenues, so COGS, COS or CAM.

Of course, cost for headcount teams which you flag as direct cost, will also be taken into account when unit economics are calculated.

Add Headcount - Jobs

Let's set up the engineering team by adding a job, e.g. the CTO, who is an employee.

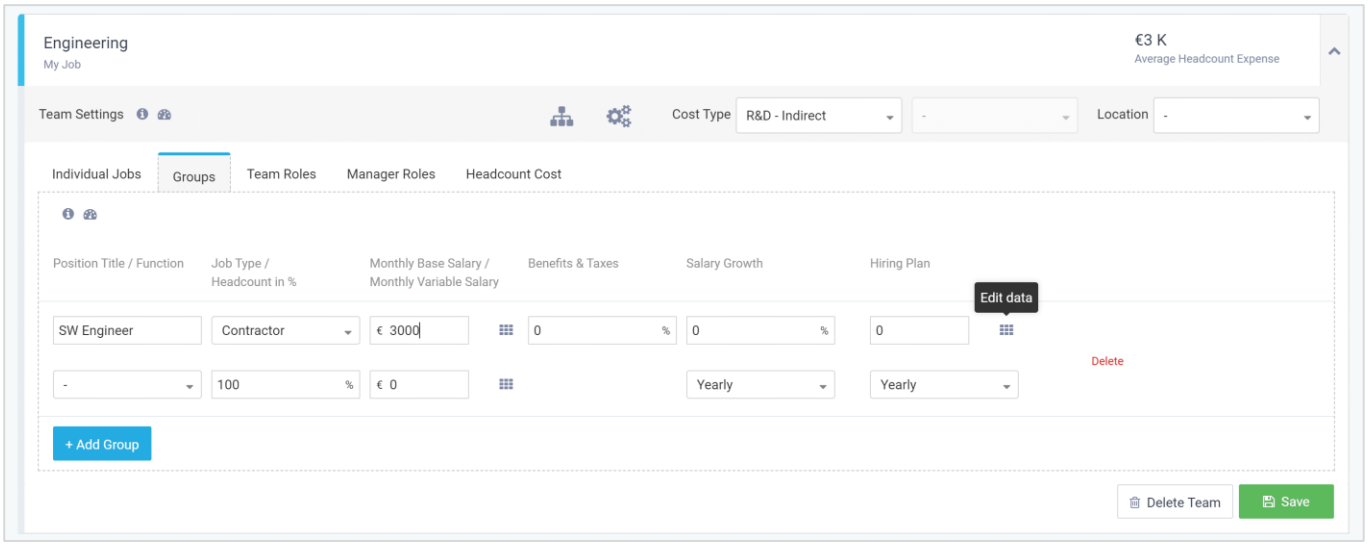
- He starts in July 2019 and
- gets a base salary of $5,000.
- Because he is an employee, the company pays benefits and taxes of 20% and
- he gets a salary increase of 2% per year



Add Headcount - Groups

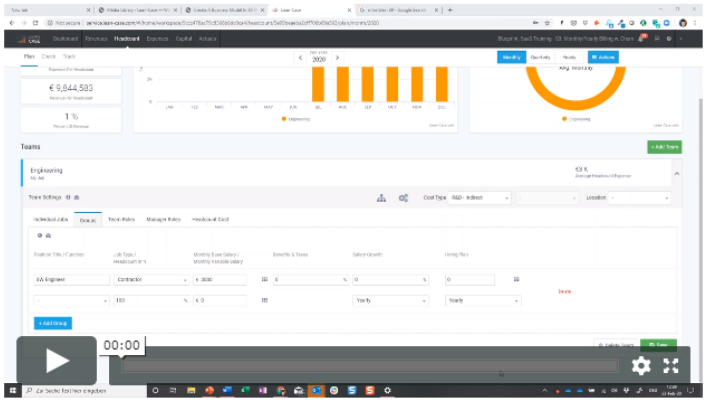
Then let's add a groups of contracted software developers which have a similar job and salary profiles. You add the same data as for jobs but instead of entering a start and end date you enter a hiring plan.

- By making the developer a contractor the Benefits and Taxes Share is automatically set to 0%.
- Assign a base salary of $3,000.



To enter the hiring plan, click on the "Table" icon next to the field Hiring Plan. You find this icon throughout Lean-Case and it allows you to adjust values over time. This will launch the Lean-Case Spreadsheet Widget. You can adjust any data series - either by editing values manually, by uploading data or by creating a data series.

Let’s assume that in the first year we hire 1 new developer each month – so a total of 12 developers. Each developer is a contractor and gets a base salary of $3,000. (see video below).

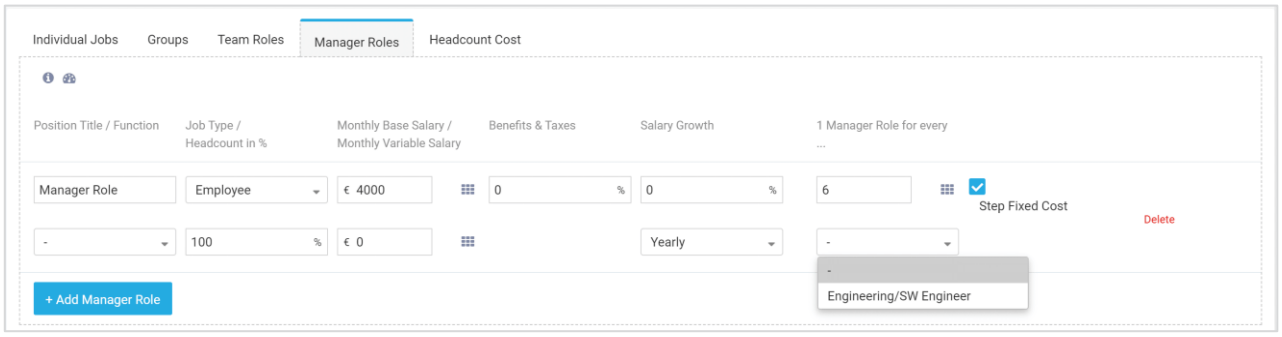


WATCH VIDEO

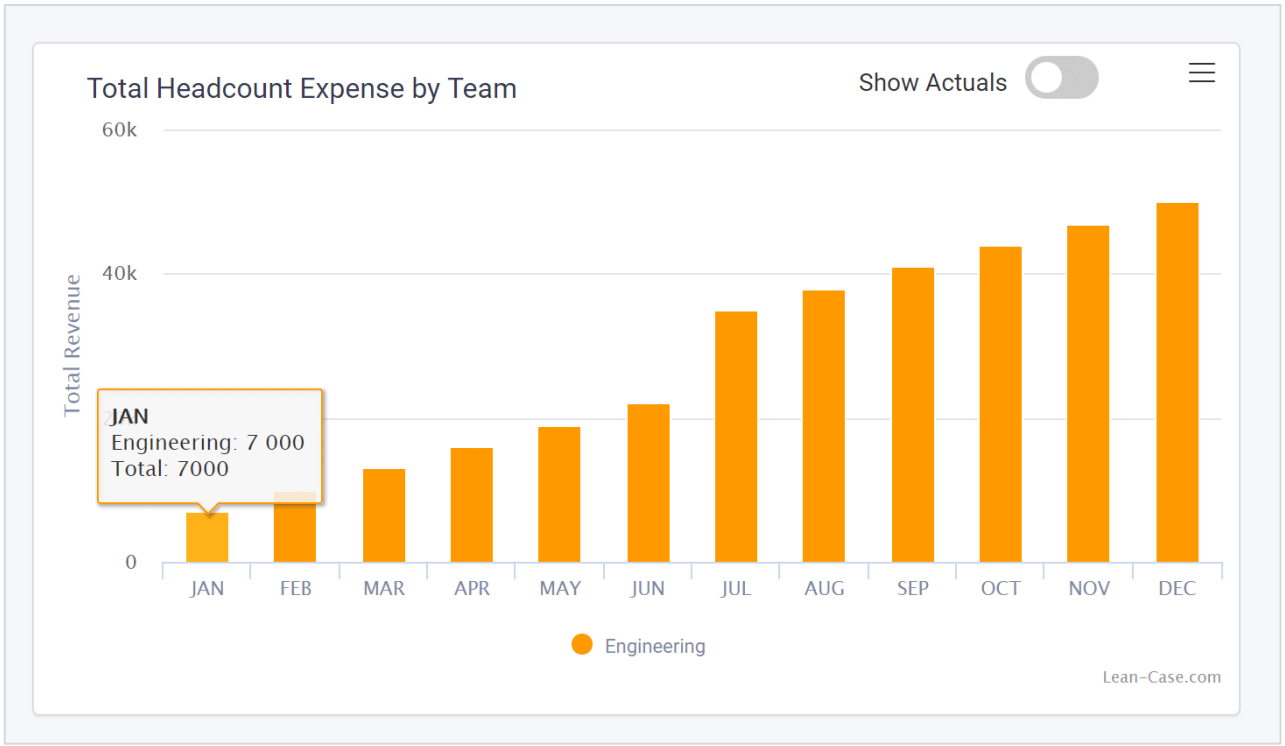
Let’s save the data in the Spreadsheet widget and the Headcount Team. You can see an additional $3,000 per month and then notice that the CTO job starts in July.

Add Headcount - Manager Role

On top, we can also add Manager Roles to automatically add a management layers - let's say that we need a lead dev per 6 developers in the group.



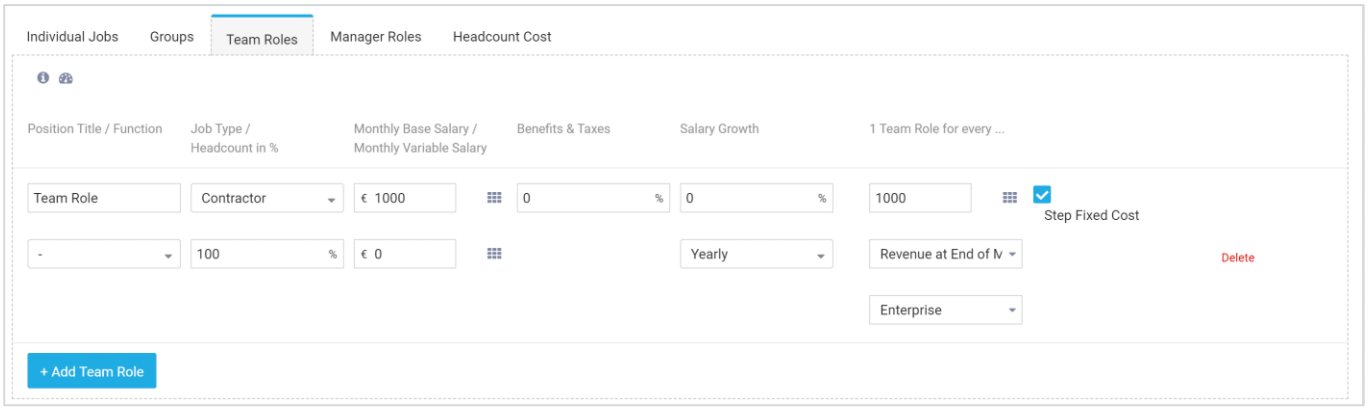
Let's save this and let's go to the Check page where you can filter by teams and job types and check the data for each job, for each group and each role.



Add Headcount - Team Role

Team Roles are typically related to sales, account management or support functions. Similar to Groups, Team Roles have similar job and salary profiles. But other than Group Members, Team Roles are not hired at specific points in time. Hiring Team Roles depends on drivers (customers, units, sales teams, sales partners or revenues), e.g. the number of Sales teams, Sales Quotas to sign up new customers per month or simply revenues to manage.

- Let's add the Customer Service Team as Team Roles.
- Let's e.g. hire 1 Customer Service Representative at a cost of $1,000 to manage 100k of revenues in the SaaS Revenue Stream.



Basically, this means we are spending 1% of revenues for support but at the same time we have the benefit that we keep track of how many headcounts we need.

Now let's move to the Expenses menu which again works very similar to the headcount menu and uses the cost widgets you have already used for revenue-related cost.

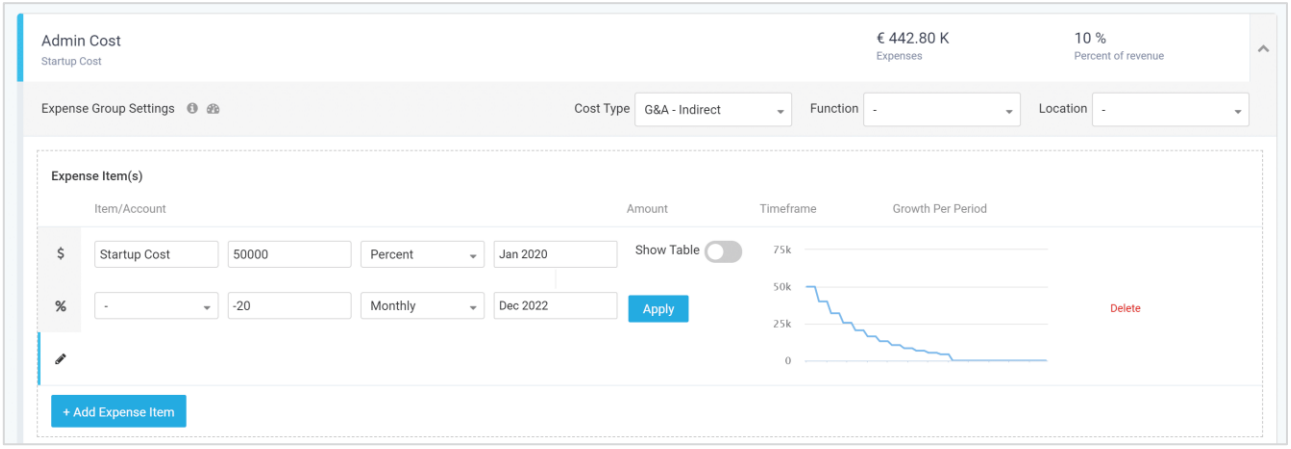
Enter Expenses

Expense Groups are the Lean-Case concept to add and manage different types of general indirect cost for Sales & Marketing (S&M,) Research & Development (R&D) and General & Administration (G&A). Each expense group can be categorized by Cost Type, Function and Location.

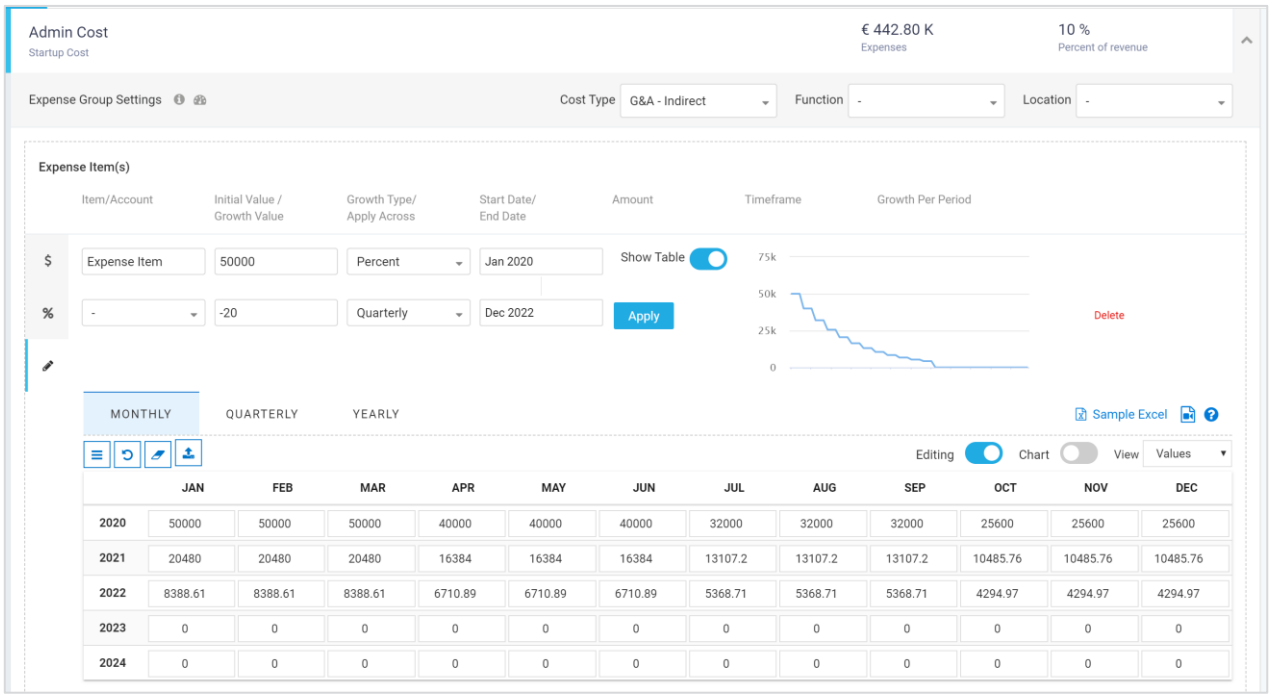
To add a new Group, click on ***<+ Add Expenses>***. Give your expense group a name and assign the expense category.

You find again the same cost widget which we already used to add all the revenue related cost earlier by entering a irregular expense. You can create a data series the same way you can do it with the Spreadsheet widget, e.g. Let's assume that you have a startup cost which

- starts with an initial value of $50,000 and
- decreases by 20% per quarter
- starts in January 2020 and
- ends in December 2022



Actually, you can use the spreadsheet widget in this context as well if you select the switch "ShowTable".



Now, we have entered revenues, revenue related cost, headcounts and expenses. You are very close to answer business questions 3 and 4 on Profitability and Cash Flow. These answers you find in the dashboard.

Check the Dashboard

The Dashboard is broken into 3 sections:

- Profit & Loss
- Insights and
- Key Metrics

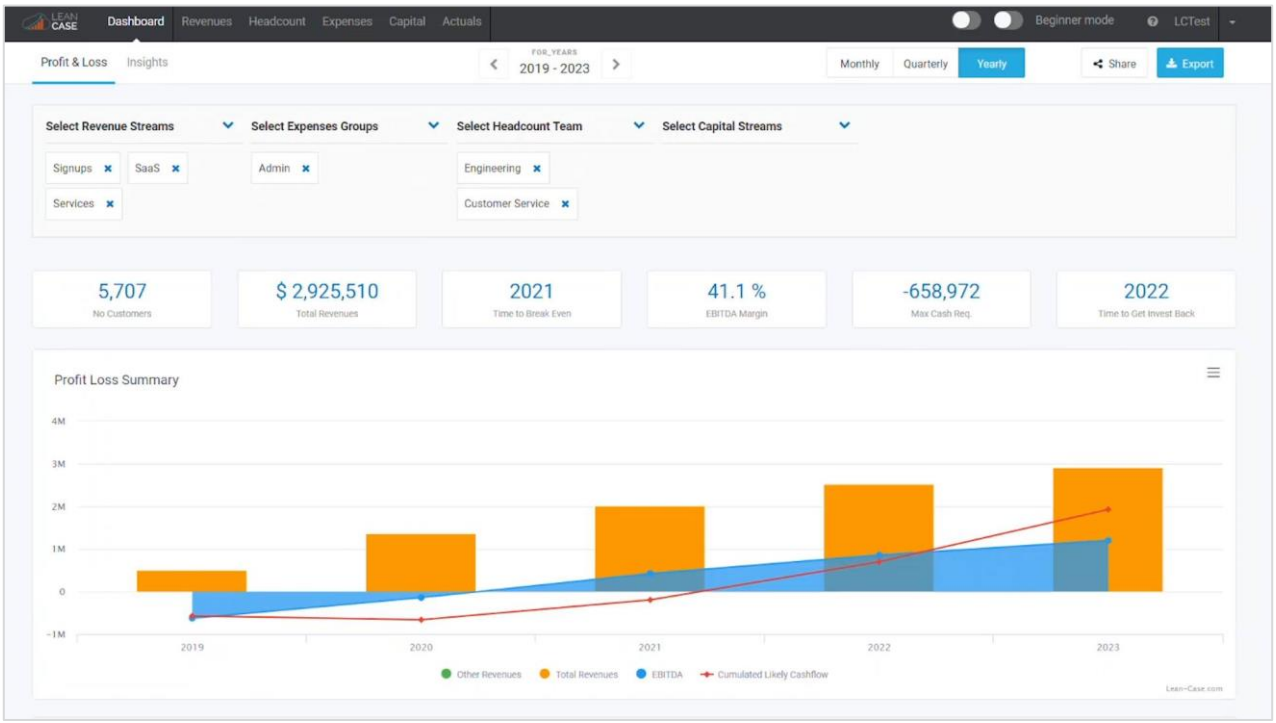
Within each section, you can explore many different views of your data.

Dashboard > Profit & Loss

The sub-menu **Dashboard > Profit & Loss** shows a combined profit and loss and a cash flow statement. Here you find all summary data in one place - Revenues, COGS, CAC, operating expenses for headcounts and expenses.

You can drill down into each total and see the data by revenue stream.

At the same time, the P&L report serves as a simple simulation dashboard – you can select which revenues streams, teams and expense groups you want to include in the numbers.



Profit and Loss Summary

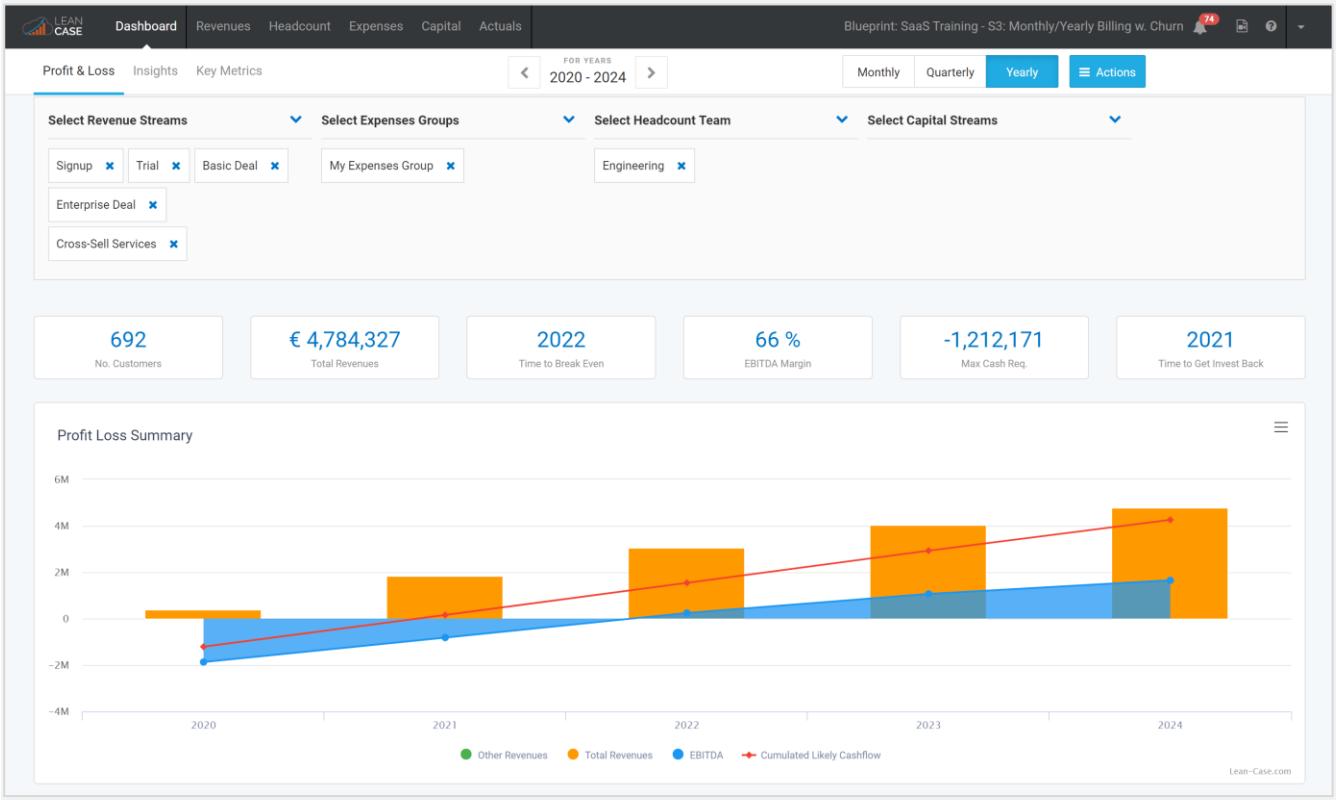
	2019	2020	2021	2022
# of Total Customers	1,186.97	2,340.65	3,474.58	4,595.21
# of Sales Teams	1.00	1.00	1.00	1.00
# of Sales Partners	0	0	0	0
▸ Total Revenues	501,105.00	1,372,160.00	2,024,010.00	2,528,670.00
▸ COGS	-80,079.26	-187,200.48	-267,483.43	-329,747.58
▸ GROSS PROFIT	421,025.74	1,184,959.52	1,756,526.57	2,198,922.42
▸ Total CAC	-720,000.00	-720,000.00	-720,000.00	-720,000.00
▸ NET PROFIT	-298,974.26	464,959.52	1,036,526.57	1,478,922.42
▸ TOTAL OPEX	-323,306.00	-604,181.60	-612,154.50	-618,684.59
EBITDA	-622,280.26	-139,222.08	424,372.07	860,237.83
EBITDA Margin	-124.2 %	-10.1 %	21.0 %	34.0 %
Depreciation & Amortization	0	0	0	0
EBIT	-622,280.26	-139,222.08	424,372.07	860,237.83
EBIT Margin	-124.18 %	-10.15 %	20.97 %	34.02 %

Answer questions 3 + 4: When are you profitable?

What are your funding requirements?

With the Profit & Loss Report, you can also answer business questions 3 and 4 on business profitability and funding requirements. The key metrics show:

- **Number of Paying Customers = 692** at the end of 2024 (the selected time period)
- **Total Revenues of $4.8 M** at the end of 2024 (the selected time period)
- **Time-to-break-even in 2022** which is the first time when you are becoming profitable answering **question 3** (when the EBITDA line gets positive for the first time)
- **EBITDA Margin of 66%** at the end of 2024 (the selected time period)
- **Maximum Cash Requirement of - $1.2 M in 2020** required to fund the project answering **question 4** and
- **Time-to-get-Investment-back in 2021** which is the first time when the accumulated cash flow line becomes positive

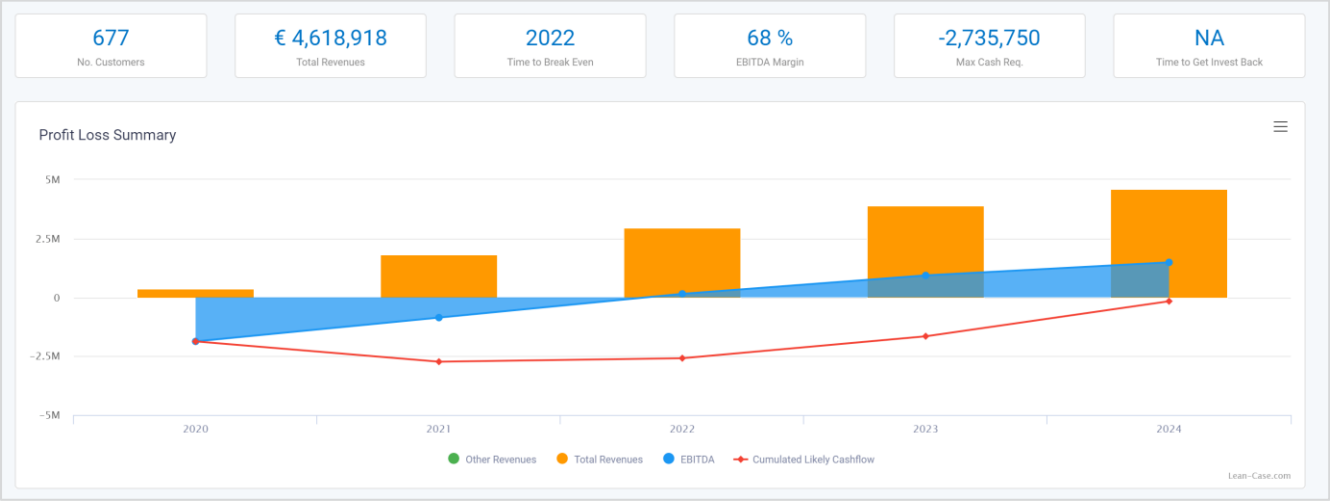


You might wonder why this P&L doesn't show the typical hockey stick for cash-requirements and why the time to get the investment back is even before the break even. Well, remember - we changed the Billing Period of the Enterprise revenue stream from Monthly to Yearly Billing so that we collect all cash yearly in advance.

Impact of Monthly vs Yearly Cash-Flow

Let's check the impact on Cash Flow Requirements if we set the Billing Period of the Enterprise revenue stream back to Monthly Billing. We find very similar results for the number of customers, revenues and EBITDA and the Time-to-Break even, but

- the **Maximum Cash Requirement more than doubles to -$2.7 M and shifts 2-years to 2022** and
- the **Time-to-get-Investment-back shifts from 2021 to 2024**

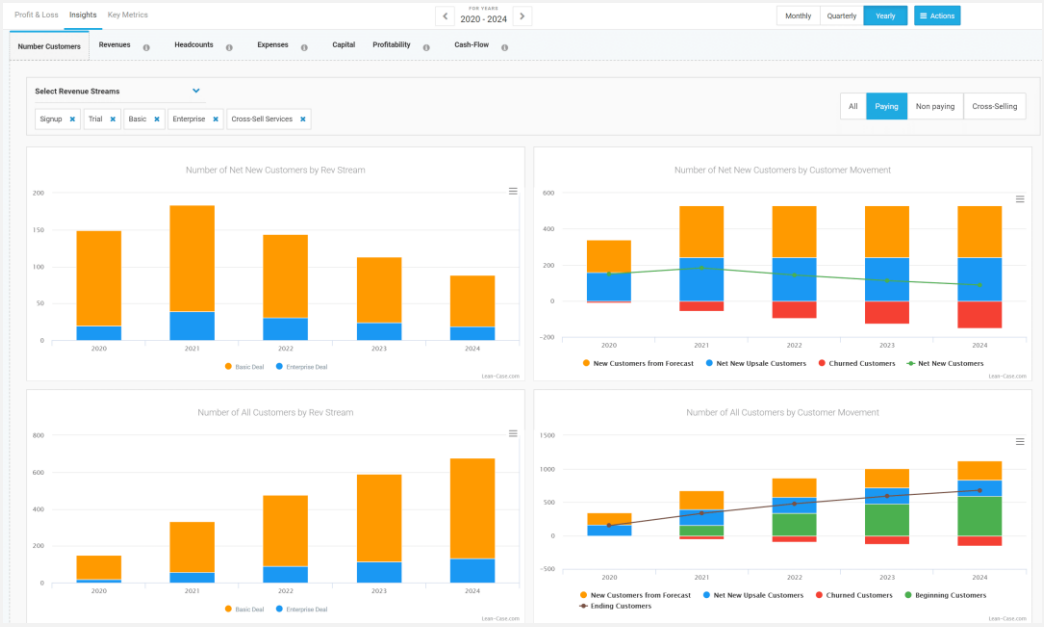


Dashboard > Insights

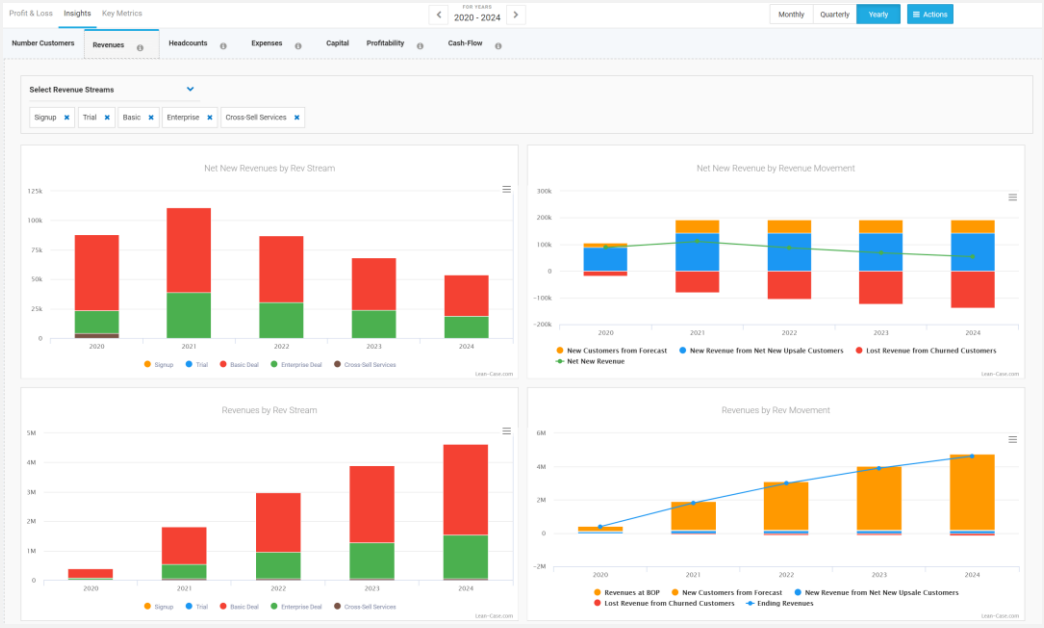
The submenu **Dashboard > Insights** has several tabs. You can check results of assumptions which you entered in the revenue, headcount, expense and capital menu.

Example

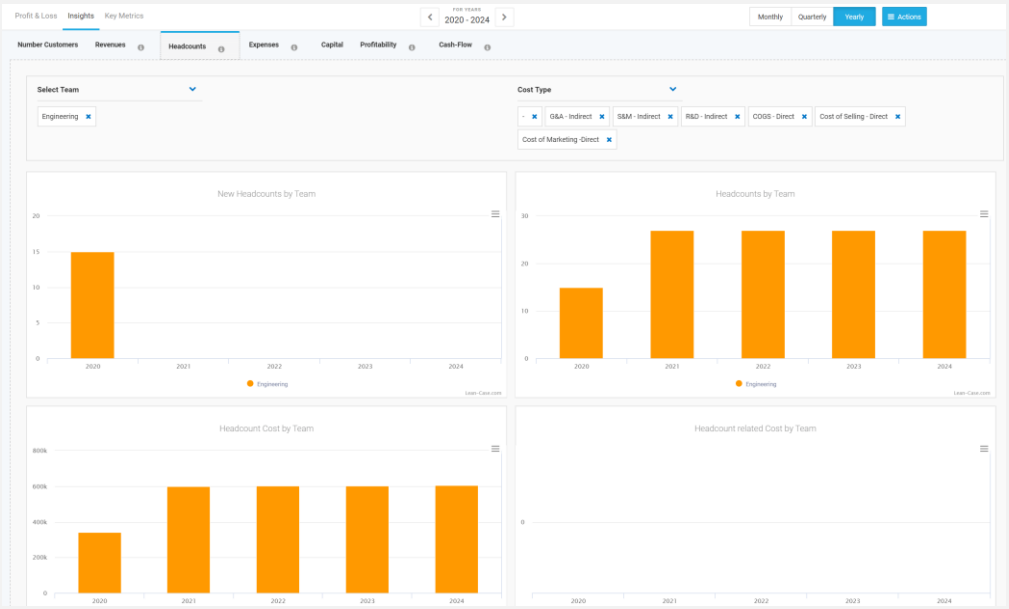
The tab **Number Customers** shows results of revenue streams in terms of number of new customers and total customers.



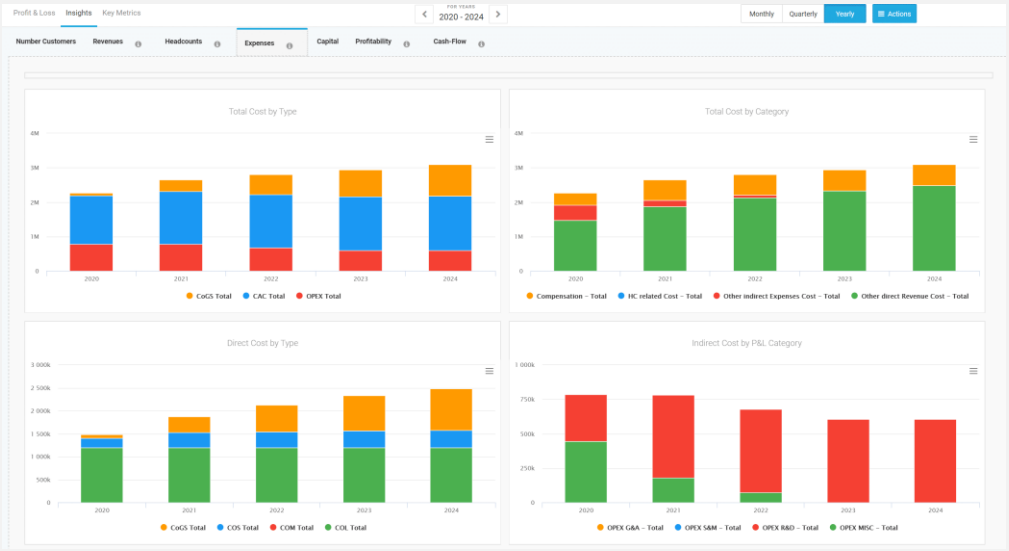
The tab **Revenue** shows results of revenue streams in terms of revenues per revenue stream and revenue growth.



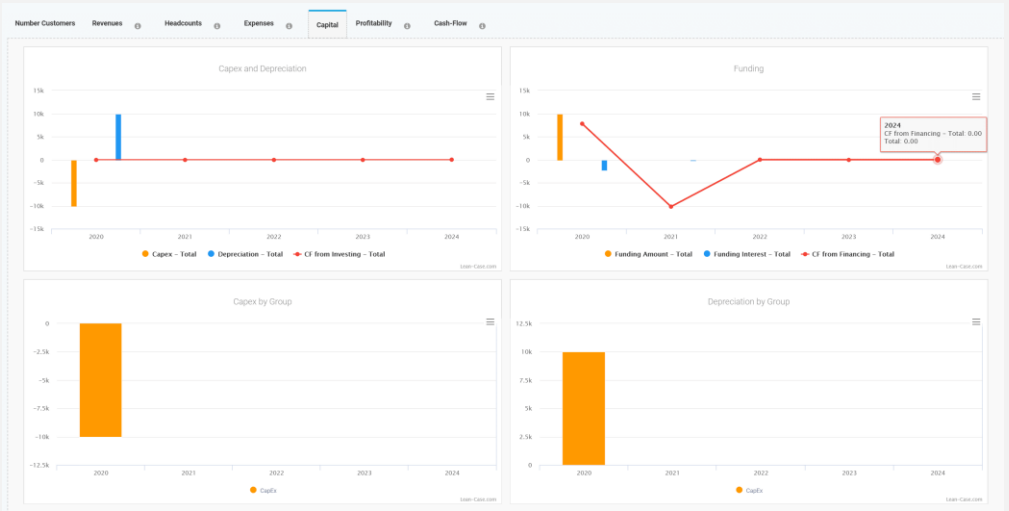
The tab **Headcount** shows results for headcounts teams in terms of cost and headcount numbers..



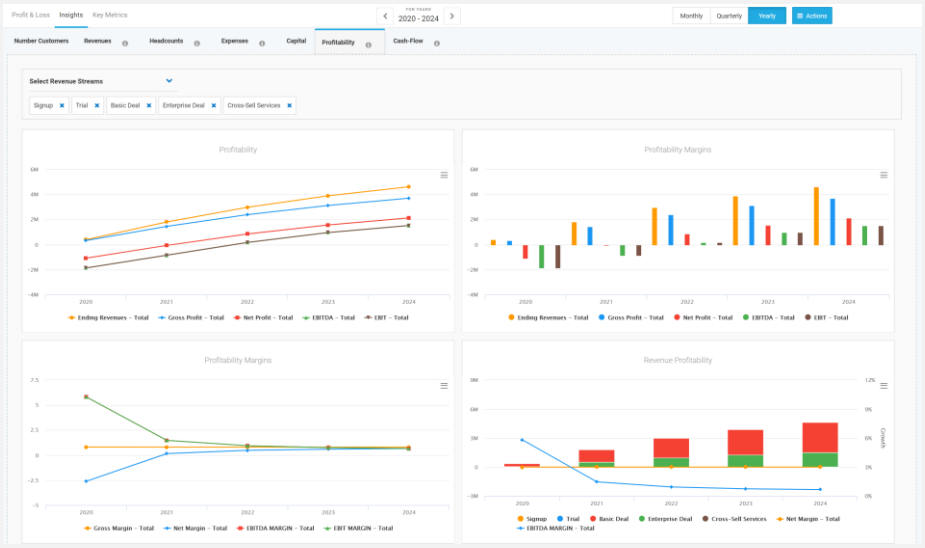
The tab **Expenses** shows results for expense groups in terms of expenses and expense growth by different cost types and categories.



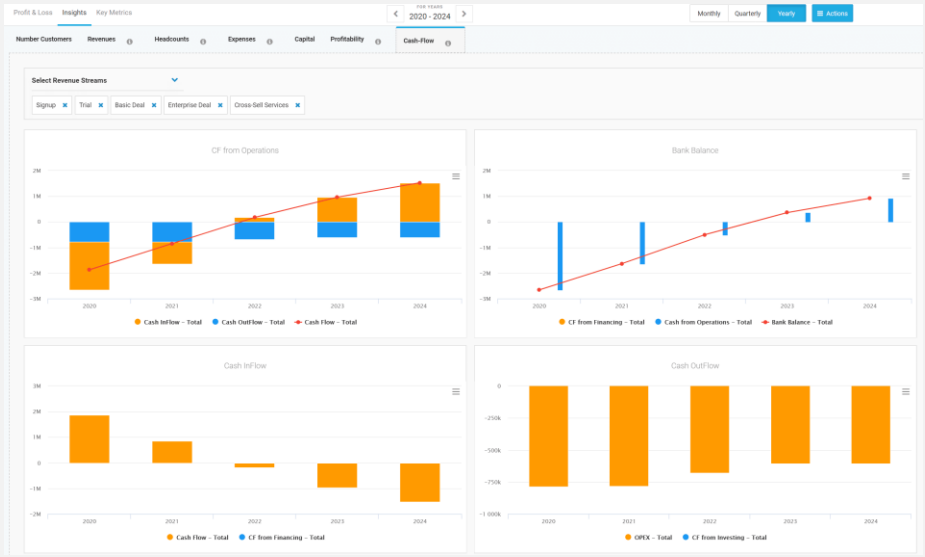
The tab **Capital** shows results for funding and investments.



The **Profitability** tab combines all this data and shows how profitability margins develop over time...



The **Cash Flow** tabs also adds cash flow from financing and investments to the data and shows how cash-flow develops over time



You can browse through all charts and even export them.

Dashboard > Key Metrics

The menu **Dashboard > Key Metrics** is identical with the menu **Revenue > Manage** which you have seen before. It shows

- Movements for Customers, Units Sold and Revenues
- Customer Lifetime Metrics and
- Key Metrics

Scenarios - Sharing - Export

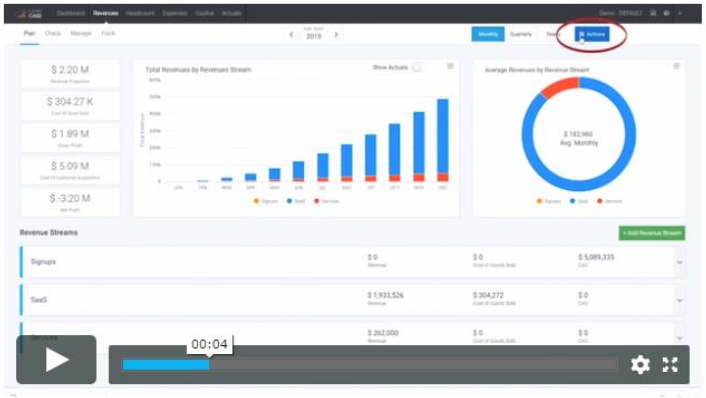
Now, you have created your Lean-Case project and you are ready to share your results with others or export results. Let's understand the magic behind the Actions Menus which you find in the Sub-Menu Bar and which allows you to do all that.

Create Project Scenarios

Before you share results, you might want to save scenarios. With a growth investor you might want to share a growth case, while you might want to share the results of a more conservative case with a bank.

With Lean-Case, you can run as many Business Plan Scenarios as you wish – seeing how realistic changes in different variables changes the final figures. The name of the scenario which is currently loaded appears in the upper right corner of the top bar menu.

- The menu option **Action > Save new Scenario** allows to save a new scenario with a name and a description.
- The menu option **Action > Switch Scenario** allows to show all existing scenarios and switch to another



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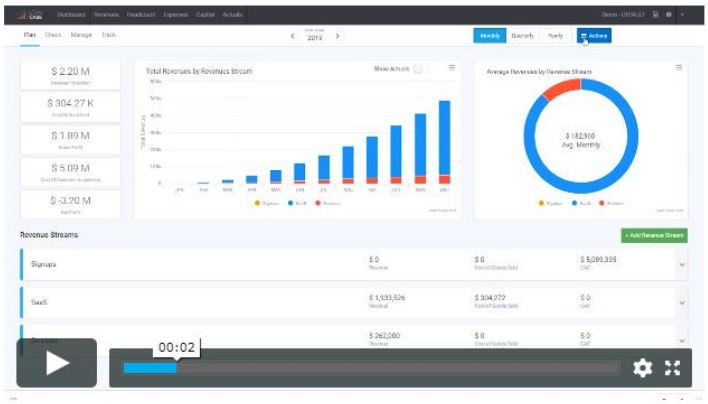
Share Project Scenarios

Once you feel that you are have created the right scenarios for your Lean-Case project - you can share them to get feedback. As the owner of a Lean-Case project, you can share your Lean-Case Project at any point in time. You can decide:

- which project scenarios you want to share
- if the invited person becomes an Editor or a Viewer and
- if the invited user can also share your projects with other viewers



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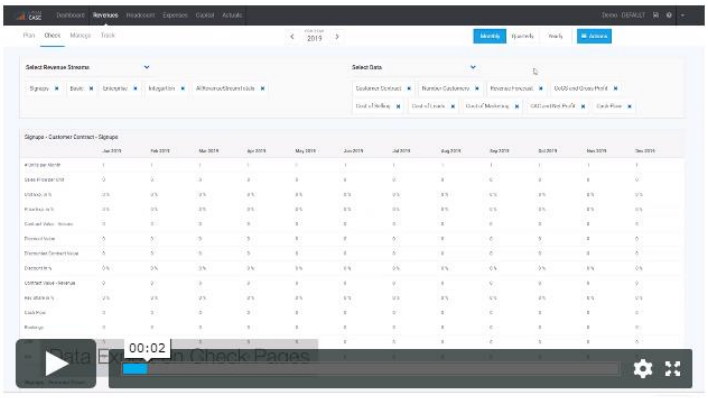
Note that only the Project Owner can invite other editors and delete the project to stay in control. The Owner can also revoke editing and viewing rights at any point in time.

If you share your LC project with someone else, this user will be taken right away to the dashboard to share all results.

Exporting Data and Models

Lean-Case also provides exporting functionality for all data calculated in Lean-Case.

- You can export the charts, or the data from each chart - allowing you to create the charts in Excel or Powerpoint.
- from any Dashboard or Check, you can export data in monthly, quarterly, yearly format and select to download all details or only the “totals” data.



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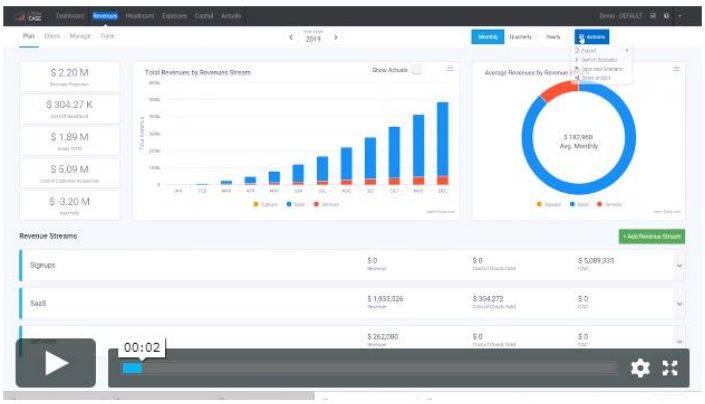
Even though Lean-Case is a far superior way to create business plans and scenarios - there are still stakeholders that require your business plan in Excel. You may need to submit a spreadsheet for a bank loan, or send to VCs for funding consideration.

And if you are a consultant, you can amaze your clients with the most comprehensive business plan in Excel they have ever seen.

Lean-Case allows you to download the full model - so you'll have a fully editable Excel sheet of your entire business plan. Upon opening the Excel model, you have to enable.



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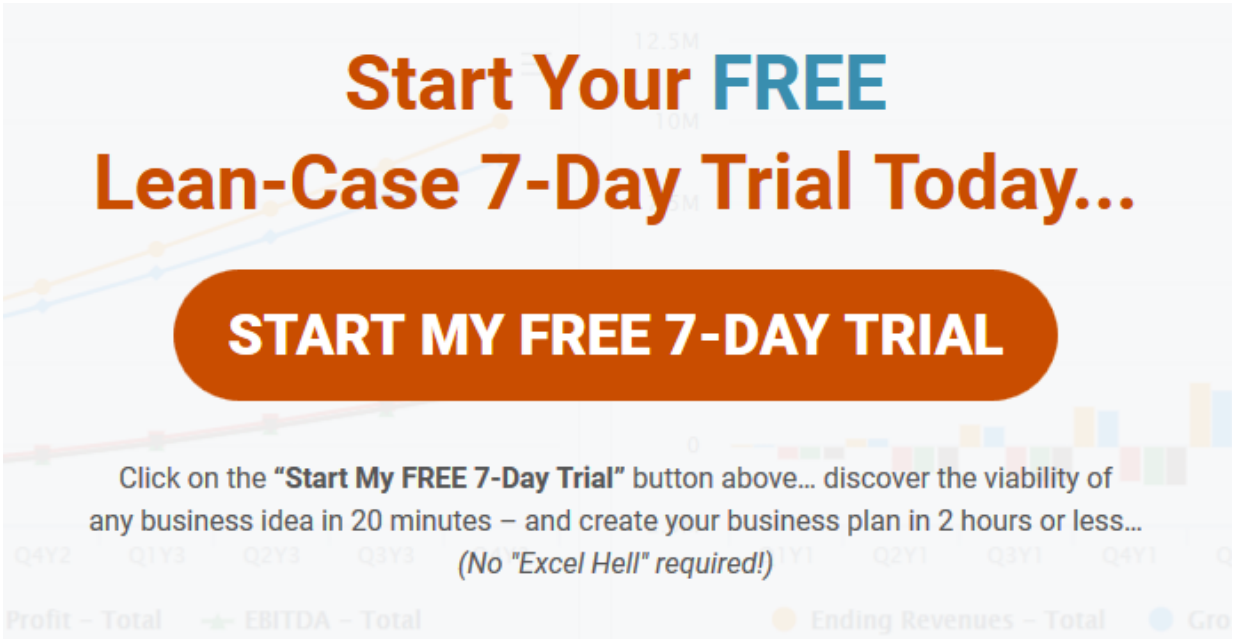
You have now seen the most relevant parts of Lean-Case. We are working on many more modules - coming soon are an Assumptions View which allows you to show all assumptions on 1 page, features to start scenario analysis and the Lean-Board module to track business objectives and goals on a monthly basis.



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