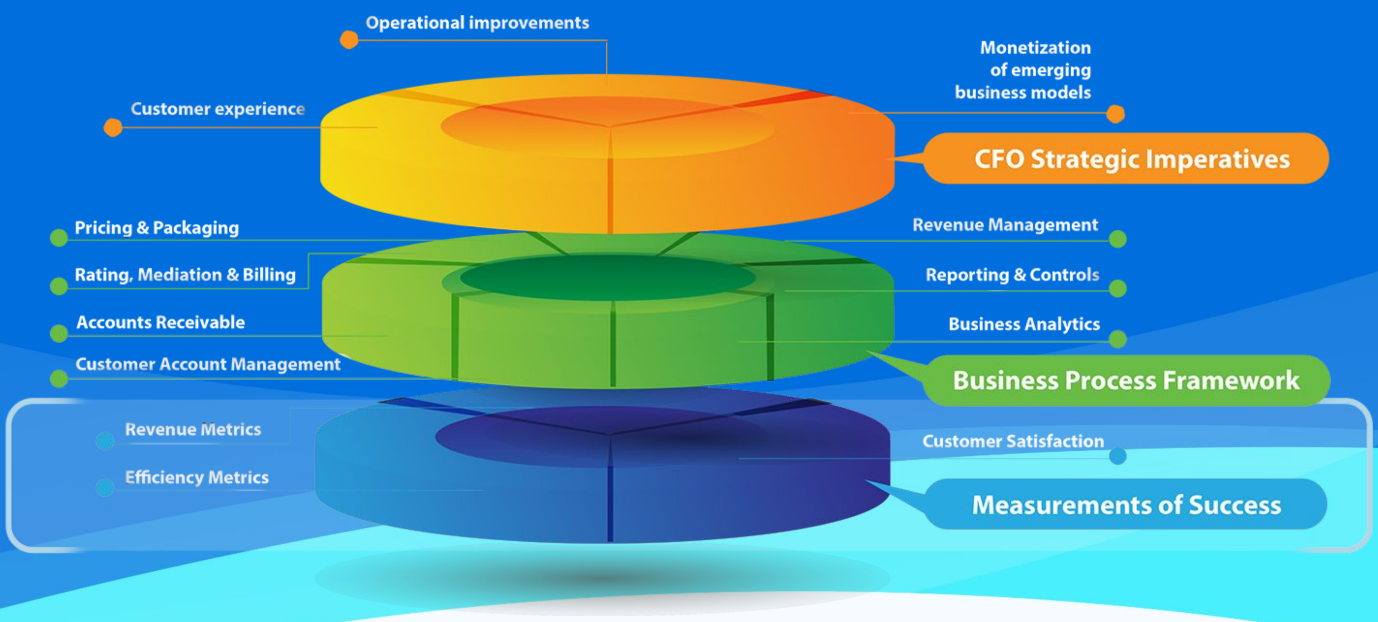
BillingPlatform

A CFO's Roadmap to Revenue Lifecycle Modernization

Part 3: KPIs For Measuring Success



The final layer of the diagram is metrics, which are critical to business growth by:

- Measuring progress
- Setting goals that align with strategy
- Making data-driven decisions
- Evaluating performance
- Identifying opportunities and challenges
- Promoting accountability and transparency.

Each business will determine the metrics that are most important to them, based on what they are trying to achieve. In our experience, we have found a variety of metrics in three key areas to be helpful in guiding a company through increasing their maturity in the dimensions of monetization and achieving success in the digital economy.

Increased Revenue

Revenue metrics provide valuable insights into the financial health, customer behavior, and growth potential of the business.

Cost Reduction

Efficient cost management is integral to the success and growth of companies. These metrics offer insights into the effectiveness of those strategies.

Customer Satisfaction

Customer satisfaction metrics are strategic tools that drive business growth, enhance customer relationships, and ensure long-term success.

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SUCCESS METRICS

Measuring Increased Revenue

ARR/MRR

Revenue is the lifeblood of any company and in the recurring revenue world, it's measured on an annual and monthly basis. ARR is MRR times 12, and is used to calculate estimated annualized revenue. It is commonly used to assess the overall health and financial performance of a subscription business.

MRR represents the predictable and recurring revenue from customers on a monthly basis, and excludes one-time fees or variable charges. It us used to assess revenue stability and the growth rate of a subscription business.

Customer Lifetime Value (LTV)

Customer Lifetime Value is the amount of revenue a business can expect to generate over the entire relationship with a customer. It calculates the net profit contribution from a customer, considering factors such as repeat purchases, average order value, retention rate and acquisition cost.

LTV is important in revenue forecasting, optimizing Customer Acquisition Cost (CAC), performing segmentation and targeting tasks, increasing retention and loyalty, allocating investment dollars and valuing a business.

Customer Churn

Measuring customer attrition, churn is the rate at which customers stop using a company's products or services. Churn can have a major impact on financial performance and growth and is a lagging indicator of a company's product-market fit. Low churn increases LTV and long-term profitability, while high churn does the opposite.

Bonus points for Revenue Churn, which measures the lost revenue associated with churned customers.

Upsell/cross-sell

Upsell and cross sell metrics measure the effectiveness and success of those strategies and provide insights into the impact of these techniques on revenue generation and customer expansion.

Metrics could include upsell or cross-sell conversion rates (offers accepted / offers offered), average revenue per customer (ARPC), average order value (AOV), repeat purchase rate and CLV impact.

SUCCESS METRICS

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Measuring Increased Revenue

Days to close books

Finance organizations need to officially “close” the books at the end of every reporting period, usually monthly. This process involves account reconciliation, making adjusting entries as needed to record accruals, depreciation, inventory, etc. and making closing entries. After the entries are done, financial statements are prepared, reviewed and audited.

The time it takes to perform this process varies depending on the complexity of the work to be done and the availability of data. Shortening the close process is an important metric for financial leaders because it indicates a higher level of efficiency, it reduces the time resources are spent on these repetitive tasks and it makes financial data and reports available earlier.

Days Sales Outstanding (DSO)

DSO measures the average number of days it takes a company to collect payment from its customers after a sale has been made. DSO provides insights into the effectiveness of a company’s credit and collection policies and indicates its ability to convert sales into cash.

Closely related, and sometimes overlooked, is Days Unbilled Outstanding (DUO) which measures the number of days it takes for a company to invoice its customers for products or services that have been delivered or completed but not yet billed.

Lowering both these numbers indicates that a company is billing quickly and accurately and customers are paying promptly, leading to faster revenue recognition and improved cash flow.

Reallocate Headcount

As financial processes become more efficient and automated, fewer FTEs are required to perform routine tasks. This is a great opportunity to reallocate their efforts to higher-value-added tasks that are more interesting to employees and beneficial for companies.

As a metric, this could be tracked by showing fewer people involved in the close process, for example, and more people doing analysis and gaining deeper insights into financial trends.

Maintain Compliance

Financial leaders need to achieve and maintain compliance with various regulations and standards depending on the jurisdiction, industry and nature of their organization.
Those may include:

Financial Reporting

Compliance with accounting standards (GAAP, IFRS) to ensure financial reports are prepared and reported properly and all required disclosures are made.

Regulatory

Compliance with accounting standards (GAAP, IFRS) to ensure financial reports are prepared and reported properly and all required disclosures are made.

Financial Reporting

Compliance with the tax laws and regulations of the jurisdictions in which the company operates. This includes accurate reporting, calculation and payment of taxes and fulfilling other tax obligations.

Internal Controls and Governance

Establishment and compliance with policies and procedures to safeguard assets, prevent fraud, ensure segregation of duties and maintain accurate financial records.

Industry-specific

Healthcare, financial services and other industries have specific regulations that apply to their sector

Ethical Standards

Compliance with standards and principles of professional conduct.

SUCCESS METRICS

Measuring Improved Customer Satisfaction

Renewal Rates

The rate of customer contract renewal provides insights into the satisfaction and loyalty of existing customers. It indicates a high degree of revenue stability and customer retention and leads to cost efficiencies, upsell and cross-sell opportunities and the potential for brand advocacy.

Billing Issues

Tracking billing issues over time gives companies a strong indicator of the strength and effectiveness of their billing processes, people and systems and can be an early-warning indicator for potential problems.

Billing issues are important because they have a direct impact on important areas like revenue accuracy, cash flow management, customer satisfaction, operational efficiency and compliance and audit readiness.

Customer Satisfaction Scores (CSAT/NPS)

CSAT (Customer Satisfaction Score) and NPS (Net Promoter Score) are two popular metrics used by businesses to measure and evaluate customer sentiment and loyalty.

CSAT measures satisfaction with a specific product, service or interaction on a numerical scale from 1-10. It can be measured at specific touch points to help businesses understand how well they are meeting customer expectations and can show trends over time.

NPS measures loyalty and advocacy and is based on a single question (how likely are you to recommend the brand to others?), scored from 1-10. NPS is a leading indicator of business growth because it correlates with customer retention, repeat purchases and word-of-mouth referrals.

BillingPlatform

Monetization for the Modern Enterprise

BillingPlatform provides the power needed to automate enterprise-grade revenue lifecycle processes. From subscriptions to sophisticated usage-based pricing models and everything in between, we meet the challenge of modern monetization.

Highest Ranked By Leading Industry Analyst Firms

FORRESTER

The Forrester Wave™

Recurring Billing Solutions, Q1 2025

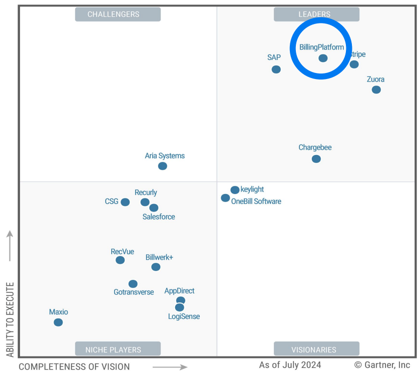
Industry Leader

Gartner

Magic Quadrant™

Recurring Billing Applications, 2024

Industry Leader



MGI Research

MGI 360™ Ratings Report

Agile Billing Vendors, May 2025

Ranked #1