

Case Study – SAAS Forecast

Company: High growth software application

Industry: Computer software

Problem: What can a different forecasting approach tell us about potential growth?

Solution: Identify key growth drivers and the scenario context for 6 identifiable customer groups.

Time taken: 4 hours

Result: Improved understanding and better focused marketing resources. Uninfluenceable risks quantified and new opportunity exposed.

While the business has been strong, operations were stretched to keep up with growth and investors and banker want to ensure that management is keyed into the factors that drive the success and built this into the organization culture. Additionally, management was tasked to ensure that their forecasts were reliable based on the uncertain environment that Covid-19 has injected into the challenge.

Company decided to bring a third-party expert to guide them and assigned 5 people to the team, 3 technical, one each from finance and marketing. Fortunately, an industry association focused on SAAS and an economist working to identify correlations on the SAAS industry and certain macro indicators also volunteered to join and provide some of their time as a gesture of goodwill and opportunity to learn about scenario forecasting.

The key drivers of the business success were easily identified and where it made sense were also tagged to external economic indicators. Internal drivers of success were regressed and correlated with external drivers and the team was able to develop a strong sense of three plausible scenarios for optimistic, pessimistic and expected going out 14 months. The team decided to keep these monitored and updated rolling monthly with a new forecast created each month. This was a matter of updating 9 values which was believed to be manageable.

The team selected 15 items as their baseline to forecast and was guided through the scenario mapping process. The items included both financial and non-financial items including headcount and sales and marketing KPA's. Three scenario forecasts were generated in a few minutes and distributed to management together with certificates for each forecast that quantified the strength and influence of each driver on each forecast. The scenario forecast method highlighted aspects of the business with relative risks and relative opportunities for growth based on the forecast drivers that were developed by industry experts who also account for the Covid-19 environment with rolling monthly update to the original forecasts.