

## The SaaS Acronyms Cheat Sheet

### Basics

- > SaaS**  
Software as a Service  
Software as a Service — of course. SaaS tools are attractive to users because it allows them to easily access applications over the cloud. SaaS companies are attractive to investors because their subscription business model makes the revenue predictable.
- > PaaS**  
Platform as a Service  
PaaS is a cloud service delivery model where the provider delivers hardware and software tools to customers via the internet. PaaS is similar to SaaS, but differs in the portion of the technology that is kept in-house. With SaaS, the vendor manages all the hardware and software. With PaaS, the data storage and management functions are often kept in-house.
- > IaaS**  
Integration as a Service  
IaaS is the third of the 'as a Service', in which the customer only leases the hardware. The entire software stack is maintained in-house, such as the operating system, middleware, data, and more.
- > KPI**  
Key Performance Indicator  
KPIs are how SaaS companies track progress. It's a quantifiable measure of performance over a certain period of time, and enables companies to make smart business decisions about the direction of active projects. An example of a KPI would be revenue growth or retention rate.
- > B2B**  
Business to Business  
B2B refers to businesses that sell products or services to other businesses. For example, ChartMogul is a B2B company.
- > B2C**  
Business to Consumer  
B2C refers to businesses that provide products or services directly to individuals, who are the end customers. For example, Apple, Meta, and Nike are examples of B2C companies.  
**? Did you know?**  
Companies can be both B2C and B2B. For example, an eSignature provider can sell both to individuals and businesses.
- > D2C/DTC**  
Direct to Consumer  
Direct to Consumer (DTC) differs from B2C in that it does not involve a middle distribution channel. DTC is often seen as a sub-category of B2C, but not all DTC brands also fall under the B2C umbrella. For example, B2C company Nike sells its goods via retailers and wholesalers—but it also sells them DTC via the Nike website and stores.
- > MTD/YTD**  
Month to Date/Year to Date  
Month to Date and Year to Date are two ways to look at and report on data and trends. MTD refers to the period spanning from the start of the month to the current date, and YTD refers to the period from the start of the year to the current date.
- > SMB**  
Small and Medium-Sized Businesses  
SMB is the acronym used to refer to small and medium-sized businesses. Small businesses are those with 10 to 49 employees, and medium businesses are those with 50 to 249 employees. Anything over that and you're looking at a large enterprise.

# Finance and Reporting

- > **MRR**  
Monthly Recurring Revenue  
Monthly Recurring Revenue measures the total repeatable revenue your company generates each month. It's a crucial metric for subscription-based revenue models—of which SaaS is one of the most common.

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- > **ARR**  
Annual Run Rate  
Annual Run Rate is a way of annualizing a company's revenue run rate. In SaaS, this is done by taking the MRR and multiplying it by 12. ARR provides a holistic view of your business and helps decision-makers assess the success of the company in the long term.

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- > **CMRR**  
Committed Monthly Recurring Revenue  
Committed Monthly Recurring Revenue, is a projection of MRR in the future. It considers any committed new business, expansion, reactivation revenue, or scheduled churn/contraction. You might also see it written as Contracted Monthly Recurring Revenue.

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- > **LTV**  
Customer Lifetime Value  
Customer Lifetime Value (LTV) is an estimate of the average gross revenue that a customer will generate before they churn (cancel). Customer Lifetime Value is useful when considering how much to spend on customer acquisition. As a general rule of thumb, LTV should be at least 3x higher than your customer acquisition costs (CAC).

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- > **CAC**  
Customer Acquisition Cost  
Customer Acquisition Cost refers to the cost associated with bringing in a new customer. This includes marketing spend, sales spend, and more—including the salaries of the team members involved. Reducing CAC is key for ensuring growth is sustainable and affordable, and enables businesses to make changes to their acquisition efforts where necessary.

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- > **ASP**  
Average Selling Price  
ASP is the average price paid by a new customer at the moment they first convert to a paid subscription. Any follow-up expansion or contraction of the account is ignored. ASP can vary dramatically month by month and gives you a good idea of how effective your sales team is at driving up new customer deal sizes.

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- > **TCV**  
Total Contract Value  
Total Contract Value refers to the total revenue generated by an account, including all extra costs such as missed payment fees, cancellation fees, and any other additional costs incurred during the contract period. It measures how much a contract is worth when all is said and done.

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- > **ACV**  
Annual Contract Value  
Annual Contract Value looks at the average value of contracts over a one year period. It's your total contract value over the amount of years the contract is/has been active.

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- > **MCV**  
Monthly Contract Value  
Monthly Contract Value looks at the monthly subscription revenue plus any other additional one-time charges—such as missed payment fees, cancellation fees, and more. It's useful for predicting cash flow and renewal revenue, as one-time charges are not carried forward upon subscription renewal.

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- > **BR**  
Burn Rate  
Burn Rate is the amount of money spent in a SaaS business over a certain period of time. This is usually looked at on a month-by-month basis. It includes all spending, such as team salaries, advertising, marketing, and all other business-related expenses.

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- > **P&L**  
Profit and Loss  
P&L is an income statement detailing profitability over a set period of time. P&L statements offer insights into a SaaS business's performance. P&L statements require SaaS businesses to report on some key metrics, including subscription revenue, cost of goods sold, net income, gross margins, operating expenses, and more.

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- > **ARPA**  
Average Revenue Per Account  
The Average Revenue Per Account (ARPA), or Average Revenue Per User (ARPU), or Average Revenue Per Customer (ARPC) are used interchangeably in the industry. It is a measure of the amount of money a single customer generates for a company. It is calculated by dividing the total revenue of a business in a given period by the (average) number of customers in that same period.

# Sales and Marketing

- > **TAM**  
Total Addressable Market

Total Addressable Market refers to the revenue opportunity at 100% market share—so the revenue opportunity given there's no competition or barriers. It's the first step in calculating the revenue opportunity of a company.

**?** **Did you know?**  
Alongside TAM, you've also got SAM (serviceable available market) and SOM (serviceable obtainable market). SAM takes into account competitors to identify the total amount of available prospects, and SOM is the amount of available prospects that you can realistically manage.

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- > **ICP**  
Ideal Customer Profile

The Ideal Customer Profile is a generalized description of the type of customer who gets the maximum value from your product, and who you want to win every time. You can use qualitative, quantitative, and predictive data to identify the traits and characteristics of your most profitable accounts, in order to actively target similar clients.

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- > **BANT**  
Budget, Authority, Needs, Timing

BANT is a sales qualification framework used to identify promising leads and new business opportunities. It's used as part of the sales qualification process and enables SaaS businesses to determine which prospects are likely—and able—to purchase a subscription.

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- > **SKO**  
Sales kick-off

The sales kick-off meeting is a time when sales reps come together to reflect on and discuss a previous period—usually the past year—and plan for an upcoming period. It's a time to chat about what worked, what didn't, and how the sales team plans to come back stronger next year.

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- > **MQL**  
Marketing Qualified Lead

A marketing qualified lead is someone who has interacted with your brand via marketing channels in a way that indicates they could be interested in your product or services e.g. downloaded an ebook. The vast majority of MQLs won't end up converting, and it's up to the team to identify the promising leads.

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- > **SAL**  
Sales Accepted Lead

Sales accepted leads are the leads that sales agrees to nurture. It's the step that converts MQLs to SQLs.

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- > **SQL**  
Sales Qualified Lead

A sales qualified lead is a lead that's engaged with the sales team and is ready to make a purchase. SQLs are leads that have gone beyond engaging with your content, and have decided to find out more about how they can take the next step.

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- > **PQL**  
Product Qualified Lead

Product qualified leads are leads who have derived meaningful value using your product through a free trial or on a freemium basis. PQLs are the users that SaaS businesses try to switch from free to paying.

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- > **SEO**  
Search Engine Optimization

Search engine optimization is the process of optimizing your website to increase visibility in search engines. Using a combination of on page, off page, and technical SEO techniques, the process aims to increase domain authority, organic traffic, and, ultimately, revenue.

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- > **SEM**  
Search Engine Marketing

Search engine marketing is a digital marketing strategy that aims to increase a website's visibility in search engine result pages. It's similar to SEO, except where SEO aims to increase rankings organically, SEM focuses on doing so via paid ads.

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- > **CR**  
Conversion Rate

Trial-to-Paid Conversion Rate is the percentage of customers who start a trial and subsequently subscribe. Conversion rate is an essential metric for measuring your success at convincing potential customers to buy once they've tried your product/service. The higher the conversion rate, the more efficient your customer acquisition is.

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- > **CPM**  
Cost per mille  
(1,000 impressions of an ad)

Cost Per Mille refers to the cost associated with getting 1000 impressions on an ad. It's a metric used to assess the success of a campaign or advertisement in terms of individuals reached.

> **AARRR**  
Acquisition, Activation, Retention, Referral, and Revenue (Framework)

The AARRR metrics framework refers to the five growth-focused metrics product-led businesses should be tracking—in order of importance from top to bottom. It puts acquisition at the top of the funnel—as in acquiring a company's attention—and revenue at the bottom—where companies convert into paying users.

**? Did you know?**

AARRR has been the go to for SaaS companies for a long while, but new kid on the block RARRA is turning out to be a better model for modern-day SaaS companies. This framework highlights the importance of retention, and follows with activation, revenue, referral, and acquisition.

## Customer Success

> **NDR**  
Net Dollar Retention

Net Dollar Retention (NDR) or Net MRR Retention (NRR) measures the MRR retained in a given report interval. It takes into account all activities such as revenue gained from expansion and losses due to contraction, and churn within the interval. It tells you how integral your product/service is to your customers. For SaaS businesses, NRR should ideally exceed 100%.

> **GDR**  
Gross Dollar Retention

Gross Dollar Retention (GDR), or Gross MRR Retention (GRR), measures the percentage of MRR retained in a given report interval (excluding expansion). It takes into account losses due to contraction and churn within the interval. It gives you an insight into how well you retain revenue (without expansion) from existing subscribers. For SaaS businesses, GRR ideally exceeds 90%.

> **SLA**  
Service Level Agreement

A service level agreement is a contract between a service provider and its customers that documents the provision of services and defines the service standards the provider is required to meet.

> **NPS**  
Net Promoter Score

The net promoter score is a survey used in customer loyalty and satisfaction to identify how likely a client is to recommend your product or service to someone else on a scale of 0-10. NPS score above '0' can be considered to be good, anything above '50' is great and anything above '70' is excellent.

> **CSAT**  
Customer Satisfaction Score

The CSAT survey is a customer feedback tool that helps organizations identify and nurture unsatisfied customers and avoid churn. CSAT scores are expressed as a percentage, with 100% being total customer satisfaction and 0% being complete customer dissatisfaction.

> **UI/UX**  
User interface/  
User experience

User experience refers to the holistic experience of using your product—as perceived by customers. The user interface is part of the user experience, and refers to the visual layout of your product.

## Negotiations and Contracts

> **ROI**  
Return On Investment

Return on investment is the monetary value of an investment in relation to its costs. A positive ROI means the investment brought in more than it cost, and a negative ROI means the opposite. ROI is usually displayed as a percentage, or as a monetary amount gained for every dollar spent. For example, this could be an ROI of \$12 for every \$1 spent.

> **TCO**  
Total Cost of Ownership

The total cost of ownership refers to the purchase price of an asset, plus the additional costs of maintaining that asset. For example, when providing a SaaS product, the total cost of ownership could include the software itself, management and maintenance, external support, and training.

> **MSA**  
Master Service Agreement

A master service agreement is an agreement between two or more parties that establishes the terms and conditions that will govern future activities and responsibilities related to a service. It's a key document for SaaS businesses that provide services over an unspecified amount of time.

- **SOW**  
Statement of Work  
A statement of work is a legal document that outlines the aspects related to a project or agreement. It lays the groundwork for upcoming projects, and serves as a reference point moving forward. The SOW should include project objective, project scope, deliverables, timelines, payment details, and more.
- **POC**  
Proof of Concept  
Proof of concept consists in validating an idea before going all in. The aim is to understand whether an idea for a product or service is worth further investment and effort.
- **RFP/RFI**  
Request for Proposal/  
Information  
A request for proposal details a proposed project and its objectives, and invites service providers to bid to complete it. It speeds up the contractor selection process by giving you key information up front, such as professional services offered, deliverables, and costs.

## Technology

- **ATS**  
Applicant Tracking System  
An applicant tracking system is software used during the hiring process by HR teams and hiring managers. ATSs screen resumes and give a better overview of candidates and where they are in the hiring funnel—offering a better experience to both the HR team and the applicants.
- **CRM**  
Customer Relationship  
Management  
CRM is software that enables businesses to better track and manage customer relationships. It's used to record and analyze interactions between a company and its clients. CRM systems enable businesses to build customer profiles that facilitate a better customer experience for users.
- **ERP**  
Enterprise Resource  
Planning  
ERP software is software used by organizations to manage day-to-day business operations, such as procurement, accounting, risk management and compliance, and more. ERPs facilitate better business by enabling information to pass freely between departments and teams.
- **API**  
Application Programming  
Interface  
Application programming interfaces are a set of definitions and protocols for building and integrating application software. They enable applications to interact and integrate without having to know how they're implemented.
- **CDP**  
Customer Data Platform  
A customer data platform is software that gathers customer data from multiple sources to build a single, coherent, complete view of each customer. This data includes behavioral data, transactional data, and demographic data.

## Security and Compliance

- **SOC**  
Service Organization  
Control  
A service organization control report is a way to verify that an organization is following some industry-specific best practices before you begin working with that organization. They help instill trust in an organization, given they require a qualified third-party assessment by a certified public accountant. For many businesses, SOC 2 compliance is a requirement when considering a new SaaS provider.
- **GDPR**  
General Data Protection  
Regulation  
GDPR is a legal framework that outlines the precautions companies must take when handling and managing personal information. It's a data protection law implemented to give individuals more transparency over how data is collected and used by businesses.
- **DPA**  
Data Processing Agreement  
A data processing agreement is an agreement between a company—the data controller—and a service provider—the data processor. It regulates any personal data processing conducted for business purposes.