



Optimizing Sales Forecasting and Profitability for a SaaS Company Providing Solutions to Home Health Agencies



Background

One of Finstru's team members, serving as part of the **FP&A (Financial Planning and Analysis)** function, collaborated with the commercial team at a SaaS company specializing in **software solutions for home health agencies**. This SaaS company provided key services such as:

- **Real-time, customizable dashboards** for a comprehensive view of the organization's health.
- **Immediate identification of OASIS errors** to improve reimbursement rates and public scorecards.
- **Real-time alerts for patients at risk** of hospital readmissions, falls, and other adverse events.
- The **largest real-time Risk Adjusted Home Health Compare benchmark** in the industry.
- **Detailed drilldowns** for inspection at the patient, clinician, and team levels.
- **Fully automated HHCAHPS integration** with links to clinician performance.

The FP&A team was tasked with improving sales forecasts, optimizing profitability, and reducing churn while implementing better pricing strategies. Utilizing SaaS-specific metrics such as **Customer Lifetime Value (LTV)**, **Customer Acquisition Cost (CAC)**, **churn rate**, **recurring revenue**, **bookings**, **annualized contract value (ACV)**, and **price sensitivity**, the team drove significant improvements in financial performance.

Challenges

The company faced several key challenges:

- **Inconsistent sales forecasting:** Previous sales forecasts were not accurately aligned with key SaaS metrics, leading to misallocation of resources.
- **High customer churn:** Retention strategies were lacking, and there was no clear framework for leveraging price sensitivity data to reduce churn.
- **Revenue stagnation:** Existing pricing strategies were under-optimized, failing to maximize recurring revenue and growth potential.

Solution: FP&A-Led Initiatives

The FP&A team took the lead in addressing these challenges by introducing data-driven strategies to enhance **forecasting, retention, and profitability.**

1. Improved Forecasting and Profitability

- By analyzing SaaS-specific metrics, the FP&A team refined the company's sales forecasts. They closely monitored **Customer Lifetime Value (LTV)** and **Customer Acquisition Cost (CAC)** to develop more accurate, long-term forecasts.
- The team also used **recurring revenue** and **annualized contract value (ACV)** data to ensure the company had a clearer view of future revenue streams, leading to more accurate budgeting and resource allocation.
- These refinements allowed the company to identify potential growth areas and opportunities to improve its **profitability** through better-targeted sales and marketing efforts.

2. Reduced Churn and Increased Retention

- Leveraging insights from **price sensitivity** data, the FP&A team worked with the commercial team to restructure pricing packages. By offering tiered pricing that matched customer needs, they improved retention, offering flexible pricing models to reduce churn.
- Additionally, the team used real-time metrics like **churn rate** and **customer satisfaction** surveys to identify at-risk customers and proactively address their concerns, ultimately improving customer retention.

3. Revenue Growth

- The implementation of strategic **pricing models** helped the company achieve over **10% revenue growth**. These models included value-based pricing and bundling of the company's advanced offerings, such as **customizable dashboards** and **HHCAHPS integration**.
- The team also focused on increasing **bookings** by developing targeted marketing campaigns aligned with the **home health industry's unique needs** and pain points.

Results

- **Improved Forecasting and Profitability:** With more accurate forecasts and better understanding of SaaS metrics like LTV and CAC, the company was able to allocate resources more effectively, resulting in improved profitability.
- **Reduced Churn and Increased Retention:** The new pricing strategies reduced churn, improving the company's retention rates by creating more flexible pricing models tailored to customer needs.
- **Revenue Growth:** The company experienced a **10% growth in revenue** through strategic pricing, better forecasting, and stronger customer retention initiatives.

Conclusion: Strategic Financial Leadership Driving SaaS Success

This initiative demonstrates the pivotal role of the **FP&A team** in driving financial success through **data-driven insights** and strategic planning. By improving forecasting accuracy, reducing churn, and implementing flexible pricing strategies, the FP&A team transformed the company's financial performance.