

Why are Invoices Better than Bookings?

Congratulations, you just hit your bookings target for the month! Unfortunately, the celebration might end there. Hitting your bookings goal is a great progress marker for your sales team, but it's not nearly as important for evaluating your business as a whole. In fact, relying on bookings could be holding you back.

1 // What's Wrong with Bookings?

Using bookings as a performance-measurement tool is very effective. You set fixed bookings targets for a quarter, and use them as a yardstick for evaluating your company's growth and sales performance over that period.

But growth is really measured in revenue, not bookings, which you'll likely learn when you go to recognize the revenue for the period and see two completely different figures. The reason for this disparity is that bookings does not reflect the nuances of individual sales contracts. Contracts can bill on monthly, quarterly, semiannual, or annual terms and these reporting differences have a huge effect on how revenue is recognized for a given period. On top of this, the numbers reported by your sales team can differ from the actual price written into the contract. Bookings is an excellent tool to assess performance, but it does little more than that.

2 // Why Do Invoices Trump Bookings?

For a clear picture of the differences between sales reporting and finance reporting, look to **invoices**. Invoices take into account the intricacies built into each sales contract like price, term, and billing frequency. Using these factors, invoices translate the ACV number reported by bookings into sales revenue, accounts receivable, and deferred revenue, which gives you a much clearer picture of how the sales you've made actually affect your bottom line.

On another level, invoices allow you to analyze your sales cycle, costs, and profitability by customer. In conjunction with bookings, invoices track everything from the day an opportunity was created to the day cash was actually received. Invoices also help you analyze profitability on a customer, product, and item level. Combined with the costs associated with each customer, invoices can tell you which customers are most profitable.

3 // Where Do You Go From Here?

Bookings and invoices are both important for managing your business. Bookings acts as benchmark for assessing sales performance, while invoices add **context and nuance** by translating bookings totals into sales revenue and receivables figures and mapping them to the P&L and Balance Sheet. Unfortunately, each of these is tracked on different CRM systems, which can make it hard to see the whole picture. An analytics platform like InsightSquared helps you bridge this gap and add context by showing data from both sources on the same screen in real-time.

How are our bookings trending over time?

\$507,811 ■ booked from 01 Jun 2012 to 28 Jun 2013

