The SaaS Metrics Cheat Sheet

Revenue

Revenue metrics provide a bird's-eye view of your income performance, drawing keen interest from key stakeholders and investors.

Monthly Recurring Revenue (MRR):

Monthly Recurring Revenue (MRR) represents your regular monthly subscription income, normalized or amortized over time.

Negative Churn:

A negative churn occurs when revenue expansion surpasses both churn and downgrade revenue. This results in a situation where the net Monthly Recurring Revenue (MRR) churn rate is negative.

Annualized Run Rate (ARR):

MRR X 12

Average Revenue Per Account ARPA (also ARPC, ARPU):

The average MRR among the customers:

$$\frac{MRR}{\text{Customer Count}}$$

Average Sale Price (ASP):

Average Sale Price (ASP) refers to the average Monthly Recurring Revenue (MRR) of new customers at the point when they transition to paid accounts. It's calculated by dividing the total new business MRR in a given period by the number of new customers acquired during the same period.

MRR Movements

Analyzing MRR movements by dissecting them into their constituent elements provides valuable insight into your business's inbound and outbound flow of revenue. By examining these trends on a monthly basis, you can readily assess your performance at a high level relative to previous months.

Customer Success

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Customer Churn Rate:

Customer Churn Rate is the frequency at which your customers are ending their subscription services.

$$\textit{Churn Rate} = \frac{\textit{Churned customers in period}}{\textit{Total customers at the start of the period}}$$

Net MRR Churn Rate:

Net MRR Churn Rate reflects the speed at which Monthly Recurring Revenue (MRR) diminishes due to downgrades and cancellations, balanced by revenue gains from account expansions.

$$\frac{\textit{Sum of churn \& contraction MRR - Sum of expansion \& reactivation MRR}}{\textit{MRR at start of period}}$$

MRR Retention Rate:

MRR Retention Rate is the pace at which Monthly Recurring Revenue (MRR) is sustained or maintained over a specific period.

$$\textit{MRR Retention Rate} = \frac{\textit{MRR of renewed subscriptions}}{\textit{MRR of subscriptions up for renewal}}$$

Customer Retention Rate:

Customer Retention Rate is the measure of how frequently customers continue their subscriptions or renew their accounts.

$$\frac{\textit{Number of renewed customers}}{\textit{Number of contracts up for renewal}}$$

Negative Churn:

It occurs when revenue growth from expansions exceeds the revenue loss from churn and downgrades, resulting in a negative value for the net MRR churn rate.

Cohort Analysis

Cohort Analysis is a potent method to grasp the evolution of your subscriptions over time and pinpoint crucial trends in churn or retention.

For instance, you can gather all new customers who commence payment within a specific timeframe, typically a single month around 6–12 months ago, and scrutinize their progression over a subsequent period, usually 6–12 months. Through this approach, you may observe, as illustrated in this example, that there is notable churn occurring in the second month.

% of churned customers in lifetime month
(relative to previous month)

	0	1	2	3	4	5	6
Jun 2021	2.50%	0.80%	5.00%	2.12%	1.35%	0.40%	1.04%
Jul 2021	0.00%	1.50%	4.09%	3.65%	1.04%	1.43%	
Aug 2021	1.22%	4.69%	5.60%	4.23%	2.15%		
Sep 2021	2.40%	5.66%	5.40%	3.54%			
Oct 2021	3.50%	2.67%	7.23%				
Nov 2021	1.65%	2.56%					
Dec 2021	1.34%						
	2.50%	2.98%	5.46%	3.39%	1.51%	0.92%	1.04%

In this example months 1-3 have higher churn before easing to around 1%

Growth & Expansion

Achieving success in SaaS businesses hinges greatly on managing the expenses associated with growth. Efficient growth entails striking a balance between acquisition costs and Customer Lifetime Value (CLV) while also nurturing robust account expansion.

Customer Churn Rate:

CAC is an approximation of the average expenses incurred to acquire a new customer.

$$\frac{\textit{Sum of sales \& marketing expenses}}{\textit{No. of new customers added}}$$

Sales

Utilize these metrics to gauge the effectiveness of your sales team in acquiring valuable new Monthly Recurring Revenue (MRR) for your business.

ACV (Annual Contract Value)

This denotes the average annualized revenue from each customer contract, excluding one-time fees and focus-ing solely on subscription revenue.

Quick Ratio:

Quick Ratio is a metric that gauges a company's capacity to increase recurring revenue despite facing churn, often regarded as a measure of growth efficiency.

Customer Retention Rate:

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$$\frac{\textit{Number of renewed customers}}{\textit{Number of contracts up for renewal}}$$

Average Sales Cycle Length

It represents the typical duration, measured in days, for a lead to transition into an active paying customer.