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SaaS Metrics & Benchmark Cheat Sheet

2024

Saas Metrics: Definitions & formulas

Metric	Definition	Formula
Monthly Recurring Revenue	Measures the total amount of predictable and consistent revenue a business expects to receive each month from its customers. It represents the normalized monthly revenue from all active subscriptions.	MRR = Number of paying users × Average Revenue Per User (ARPU). Alternatively, it can be calculated as: MRR = Total number of active accounts × Average Revenue Per Account (ARPA). MRR calculations should only include recurring revenue and exclude one-time fees or variable charges
Annual Recurring Revenue (ARR)	Represents the total recurring revenue normalized for a one-year period.	ARR = (Total subscription revenue + Recurring revenue from upgrades and add-ons) - Revenue lost from cancellations and downgrades Alternatively, ARR can be calculated by multiplying Monthly Recurring Revenue (MRR) by 12: ARR = MRR × 12
Contracted Annual Recurring Revenue (CARR)	Forward-looking metric that measures the total annualized value of recurring revenue from signed contracts, including those not yet in production.	CARR = (MRR × 12) + Contracted ARR not yet in production Alternatively: CARR = ARR + New Bookings + New Upsell Bookings - Downgrade Bookings - Churn
Customer Acquisition Cost (CAC)	The cost of acquiring a new customer, including sales and marketing expenses.	Total Sales and Marketing Expenses / Number of New Customers Acquired

Saas Metrics: Definitions & formulas

Metric	Definition	Formula
Customer Lifetime Value (CLTV or LTV)	The total revenue a company expects to earn from a customer throughout their relationship.	CLTV = Customer Value × Average Customer Lifespan An alternative formula used by some SaaS companies is: CLTV = (Average Revenue Per User × Gross Margin) / Churn Rate
Churn Rate	The percentage of customers who cancel or do not renew their subscriptions within a given period.	Churn Rate = (Number of Churned Customers / Total Number of Customers at the Start of the Period) × 100
Net Revenue Retention (NRR)	The percentage of recurring revenue retained from existing customers over a specific period, including expansions and contractions.	NRR = (Starting MRR + Expansion MRR - Churned MRR - Contraction MRR) / Starting MRR × 100
Gross Revenue Retention (GRR)	The percentage of recurring revenue retained from existing customers over a specific period, excluding any expansion revenue.	GRR = (Starting MRR - Churned MRR - Downgrade MRR) / Starting MRR × 100
Average Revenue Per User (ARPU)	The average revenue generated per customer.	MRR / # of customers generating revenue
Payback Period	The average revenue generated per contract per year.	CAC for a given customer cohort / monthly gross margin generated from that customer cohort

Saas Metrics: Definitions & formulas

Metric	Definition	Formula
Lead-to-Customer Conversion Rate	The percentage of qualified leads that convert into paying customers.	(Number of Converted Customers / Total Number of Qualified Leads) × 100
Daily/Monthly Active Users (DAU/MAU)	The number of unique users engaging with your product daily or monthly.	**Daily Active Users (DAU):** The number of unique users who interact with a web or mobile product within a 24-hour period. **Monthly Active Users (MAU):** The number of unique users who engage with a product or website within a 30-day period.
DAU/MAU Ratio (Stickiness)	Measures how frequently users engage with a product or service within a month.	(Daily Active Users / Monthly Active Users) × 100
Burn Rate	The rate at which a company spends its cash reserves.	**Gross Burn Rate:** Total cash expenses / number of months in the period. **Net Burn Rate:** Starting cash balance minus ending cash balance / number of months in the period.
Time to Value (TTV)	The time it takes for a new user to experience the core value of a product after starting to use it.	While there's no universal formula, TTV is generally measured as: Time when value is realized - Time of purchase or adoption
Retention Rate	The percentage of customers retained over a specific period.	Retention Rate = ((CE - CN) / CS) × 100 ● CE = Number of customers at the end of the period ● CN = Number of new customers acquired during the period ● CS = Number of customers at the start of the period

Saas Metrics: Definitions & formulas

Metric	Definition	Formula
Expansion MRR	Additional revenue generated from existing customers through upsells, cross-sells, or add-ons.	Expansion MRR rate = [(Expansion MRR at end of month - Expansion MRR at beginning of month) / Expansion MRR at beginning of month] × 100
Gross Margin	The percentage of revenue a company retains after accounting for the direct costs associated with producing its goods or services.	(Revenue - Cost of Goods Sold) / Revenue × 100
Quick Ratio	Measures a company's ability to pay its short-term liabilities using its most liquid assets.	(Current Assets - Inventory - Prepaid Expenses) / Current Liabilities
Revenue Per Employee (RPE)	The average revenue generated by each employee in a company.	Total Revenue / Number of Employees
Annual Contract Value (ACV)	The average annual revenue generated from a single customer contract.	Total Contract Value / Contract Duration in Years

Monthly recurring revenue (MRR) benchmarks

1. **Growth Rate Benchmarks**
   - Early-stage startups should aim for a 10% month-over-month MRR growth rate.
   - Series A: $100k+ MRR with 3x Year over Year Growth (10% Compound Monthly Growth Rate)1.
   - Series B: $500k+ MRR with 2.5x Year over Year Growth (8% Compound Monthly Growth Rate)1.
   - Series C: $1m+ MRR with 2x Year over Year Growth (6% Compound Monthly Growth Rate)

2. **MRR Growth Rate by Company Size**
   - For companies with up to $10M of revenue in 2022:
     - Average MRR Growth Rate: 50%
     - Lower quartile: 30%
     - Top quartile: 115%

3. **Other important benchmarks**
   - Expansion MRR should exceed Gross MRR Churn Rate for healthy growth.
   - The ProfitWell B2B SaaS Index showed MRR growth of 6.2% in October 2023.

*Benchmarks can vary based on factors such as company size, target market, and industry. SaaS companies should strive to achieve and surpass these benchmarks while considering their specific circumstances and growth stage.

Annual recurring revenue (ARR) benchmarks

1. **Growth Rate Benchmarks**
   - Early-stage SaaS companies ($1-5M ARR): Median YoY ARR growth rate is 52-59%, with top quartile at 102-154%.
   - SaaS companies ($5-15M ARR): Median YoY ARR growth rate is 46-55%, with top quartile at 100-131%.
   - Best-in-class SaaS businesses ($1-3M ARR): 192% annual growth rate.
   - Best-in-class SaaS businesses ($3-8M ARR): 121% annual growth rate.
   - Best-in-class SaaS businesses ($8-15M ARR): 110% annual growth rate.

2. **ARR Growth by Company Stage**
   - Companies under $1M revenue: 68% ARR growth.
   - Companies over $1M revenue: 45% ARR growth.
   - Top quartile SaaS businesses ($1-30M ARR): 62.1% growth in 2022, down from 93.4% in 2020 and 78.9% in 2021.

3. **Monthly Growth Rates**
   - Top decile SaaS startups: 10-17% monthly growth when starting out, settling to 6-7% after reaching $3M ARR.
   - Median SaaS business: 2-2.5% monthly growth throughout lifecycle.

4. **Time to Reach ARR Milestones**
   - Top-tier SaaS startups reach $1M ARR within 9 months.
   - Median startup takes 2 years and 9 months to reach $1M ARR.
   - Average SaaS startup reaches $10M ARR in slightly over 5 years .

5. **Valuation**
   - ARR valuation multiples currently stand at 5.5x, meaning a SaaS company generating $10M revenue can expect a valuation of $55M9.

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Contracted Annual Recurring Revenue (CARR)

1. **Importance and use cases**
   - CARR offers a more complete picture of a SaaS company's expected future revenue compared to ARR alone.
   - It helps in predicting future revenue, which is crucial for resource allocation and financial planning.
   - CARR is an important metric in SaaS valuation discussions and helps operators understand current revenue velocity.

2. **Benchmarks and Growth Rates**
   - While specific CARR benchmarks are not as widely reported as ARR benchmarks, the growth of CARR is considered a key indicator of a SaaS company's health and potential.
     - CARR growth is a multivariate metric, including ARR growth from new customers and existing customers.
     - Change in CARR growth provides the clearest visibility into the health of a SaaS business.
     - CARR growth is the main metric to determine the enterprise value of a private B2B Cloud/SaaS company at every stage of growth.

3. **Factors Affecting CARR**
   - Renewal rates: Higher renewal rates signify greater conversion of ARR to CARR each year.
   - Churn and downgrades: These reduce CARR as committed future revenue is lost.
   - Expansions and upgrades: These extend CARR by increasing the value of existing contracts.

4. **Improving CARR**
   - Improving customer retention to reduce churn
   - Encouraging longer-term contracts
   - Implementing effective upselling and cross-selling strategies

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Customer Acquisition Cost (CAC)

1. **Average CAC for SaaS**
   - The overall average CAC for SaaS companies is $702.
   - SaaS companies typically spend between $1.18 and $1.50 to acquire every dollar of new Annual Recurring Revenue (ARR).
2. **CAC by Customer Type**
   - For B2B SaaS companies, CAC varies based on customer size:
     - **Small Business:** $321 - $1,461
     - **Middle Market:** $1,407 - $5,330
     - **Enterprise:** $2,206 - $14,7745
3. **CAC by SaaS Sub Industry**
   - CAC varies significantly across different SaaS sub industries:
     - **Fintech:** Highest CAC at $1,450 for SMBs, up to $14,772 for enterprise.
     - **eCommerce:** Lowest CAC at $274 for SMBs, up to $2,190 for enterprise.
     - **Security:** $805 for SMBs, up to $10,221 for enterprise.
     - **Education:** $806 for SMBs, up to $6,659 for enterprise.
4. **CAC for Early-Stage SaaS Companies**
   - Early-stage SaaS companies often experience higher CAC:
     - It's not uncommon for CAC to be three to four times higher than their ARR.
     - This is due to initial marketing expenses, brand-building activities, and product-market fit experimentation.

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Customer Lifetime Value (CLV)

1. **LTV Calculation Methods**
   - Simple method: LTV = Average Revenue Per Customer * Customer Lifetime
   - Considering churn: LTV = ARPU / Churn Rate
   - Comprehensive method: LTV = ARPU * Company Gross Margin % / Average Company Churn Rate

2. **LTV Benchmarks**
   - A good rule of thumb is to have a LTV to Customer Acquisition Cost (CAC) ratio of 3:1.
   - For B2B SaaS targeting small businesses, a 24-month customer lifespan is typical, with 48+ months considered good.
   - Enterprise SaaS companies often see customer lifespans of 120 months, with over 250 months considered good..
   - For B2C SaaS companies, a 12-month average lifespan is typical, with over 24 months considered good.

3. **Factors Influencing LTV**
   - **Pricing strategy:** Tiered pricing models and upsell opportunities can increase LTV.
   - **Churn rate:** Lower churn rates directly correlate with higher LTV.
   - **Expansion revenue:** Upselling and cross-selling additional features can boost LTV.
   - **Cost structure:** Increasing costs associated with serving customers can erode LTV..
   - **Competitive landscape:** Market pressures may lead to discounts, impacting LTV.

4. **LTV by Customer Segment**
   - Vertical industry
   - Annual contract value
   - Contract term length
   - Geography
   - Job title of primary contact
   - Lead source
   - Sales channel

Churn rate

1. **Customer Churn Rate**
   - The average annual customer churn rate for SaaS companies is around 5%.
   - For small to medium-sized SaaS businesses (SMBs), monthly churn rates typically range between 3% and 7%.
   - Enterprise-level SaaS products should aim for a monthly churn rate of less than 1%

2. **Revenue Churn Rate**
   - Revenue churn is generally benchmarked slightly higher than customer churn.
   - For B2B SaaS companies, the average revenue churn rate is 4.67%.
   - Annual median churn rate for SaaS providers is 10% or lower.

3. **Churn Rate Variations**
   - **Target market:** B2B SaaS companies generally have lower churn compared to B2C.
   - **Industry:** IT services average around 12% churn, while software companies hover closer to 14%.
   - **Pricing:** Companies with average revenue per user between $25-50 may see revenue churn peak at 8.7%.

4. **Benchmarks by Company Stage**
   - Early-stage SaaS companies often experience higher churn rates, typically around 10-15% annually in their first year.
   - Established SaaS companies targeting enterprises should aim for 5-7% annual churn.

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Net Revenue Retention (NRR)

1. **NRR Benchmarks**
   - The median NRR across all SaaS companies is 102%.
   - For public SaaS companies, the average NRR is around 114%.
   - Best-in-class NRR is typically in the 110-120% range.
2. **NRR by Company Size and ACV**
   - Companies with $15-30M ARR: 35.1% have NRR over 100%.
   - Low ACV ($12,000 or less): Median NRR of 100%.
   - High ACV (>$250,000): Median NRR of 110%.
3. **NRR by Customer Type**
   - **B2B SaaS:** Generally higher NRR, with 41.1% of companies with ARPA over $500/month achieving NRR over 100%.
   - **B2C SaaS:** Lower NRR, with only 2.7% of companies with ARPA less than $10/month achieving NRR over 100%.

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Gross Revenue Retention (GRR)

1. **GRR Benchmarks**
    - A GRR in the 85-95% range is considered good for SaaS companies.
    - Best-in-class companies achieve 95-100% GRR.
    - Below-average performers have GRR rates below 85%
2. **GRR vs NRR**
    - GRR is always equal to or lower than Net Revenue Retention (NRR).
    - GRR cannot exceed 100%, while NRR can.
    - The median NRR for public SaaS companies is 114%, which implies GRR is typically lower.

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Average Revenue Per User (ARPU)

1. **ARPU Benchmarks**
   - High-end enterprise SaaS companies: $1,000+ per month.
   - Smaller SaaS companies: Between $50 and $500 per month.
   - B2B SaaS companies with ACV of $12,000 or less: Median ARPU of $100 per month.
   - B2B SaaS companies with ACV over $250,000: Median ARPU of $110 per month.
2. **Factors influencing ARPU**
   - Pricing strategy
   - Product tiers and features
   - Customer segmentation
   - Upselling and cross-selling efforts
   - Customer retention and churn rate

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Payback Period

1. **Benchmarks**
   - General benchmark for startups: 12 months or less
   - High-performing SaaS companies: 5-7 months
   - Median for SaaS companies: 16 months (as of 2021)
   - Range for SaaS startups: 5-12 months
2. **Variations by Company Size**
   - Companies with $20-$50M ARR: 23 months (median)
   - Companies with <$1M or $1-5M ARR: 11-12 months (median)

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Lead-to-Customer Conversion Rate

1. **Benchmarks**
   - General range for B2B SaaS: 1% to 5%
   - High-performing B2B SaaS: Above 5%
   - Small to mid-sized B2B SaaS ($10M-$100M ARR): 39% (opportunity to close)
   - Enterprise B2B SaaS (+$1B ARR): 31% (opportunity to close)
2. **Influencing Factors**
   - Lead quality
   - Product-market fit
   - Sales process effectiveness
   - Sales team skills and training
   - Marketing and sales alignment
   - Customer experience
   - Website design and user experience
   - Messaging and content quality

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Daily/Monthly Active Users (DAU/MAU)

1. **Benchmarks**
   - Average DAU/MAU ratio for SaaS B2B and B2C apps: 13%
   - B2C apps, especially social apps: 20% - 50%
   - General benchmark for startups: 25%
   - Gold standard: 50% and above
2. **Importance of DAU/MAU Ratio**
   - Indicates product stickiness and user engagement
   - Helps predict user base growth and retention
   - Guides product development and marketing strategies
   - Influences company valuation and investor interest

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Time to Value (TTV)

1. **TTV Benchmarks**
   - The average TTV for SaaS companies is 1 day, 12 hours, and 23 minutes. It has significant variations across different segments, including:
     - **By industry:** Different industries show varying TTV benchmarks, with CRM & Sales achieving faster TTVs due to straightforward onboarding processes. While industries like Insurance and Martech have longer TTVs due to the complexity of their products.
     - **By company size:** Smaller companies often have shorter TTVs due to agility and focused engagement strategies. While larger companies face challenges scaling onboarding.
     - **By growth model:** Sales-led growth (SLG) companies exhibit slightly shorter TTV compared to product-led growth (PLG) companies. Probably due to personalized onboarding and support, while PLG models rely on independent user exploration.
2. **Average TTV by industry**
   - **HR:** 3 days, 18 hours, 59 minutes.
   - **Martech:** 1 day, 20 hours, 47 minutes.
   - **Fintech and Insurance:** 1 day, 17 hours, 11 minutes.
   - **Healthcare:** 1 day, 7 hours, 11 minutes.
   - **CRM & Sales:** 1 day, 4 hours, 43 minutes.
   - **AI & ML:** 1 day, 17 hours, 19 minutes.
3. **Average TTV by ARR**
   - **$1,000,000 – $5,000,000:** 1 day, 4 hours, 54 minutes.
   - **$5,000,001 – $10,000,000:** 1 day, 6 hours, 56 minutes.
   - **$10,000,001 – $50,000,000:** 2 days, 3 minutes.
   - **$50,000,001+:** 1 day, 16 hours, 8 minutes.

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Expansion MRR

1. **Expansion MRR Rate Benchmarks**
    ○ **General benchmark:** 10-30% is considered good and steady growth
    ○ **Best-in-class:** 15-20% or above 20%
    ○ **Target range:** 10-15%
2. **Benchmarks by Company Stage**
    ○ **For companies with over $1M MRR:** Median expansion MRR is about 30% of total MRR.
    ○ **For businesses with ARPA over $1K/month:** ~40% of revenue added comes from expansion.
    ○ **For SaaS businesses with ARR in the $15-30M range:** 36% of added revenue comes from expansion.
3. **Additional Insights**
    ○ Top-performing SaaS companies: Over 60% of new MRR comes from expansion revenue.
    ○ As companies mature and grow in ARR, the percentage of revenue from expansion typically increases.
    ○ MRR rates can vary based on factors such as company size, industry, and growth stage. Companies should aim for an expansion MRR rate that exceeds their churn rate to achieve negative churn, which is favorable for SaaS businesses.

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Gross Margin

1. **Expansion MRR Rate Benchmarks**
   - **General range for SaaS companies:** 50% to 95%
   - **Median gross margin:** 73%
   - **Best-in-class companies:** 80% or higher
   - **Early-stage SaaS startups:** At least 50%
   - **Mature SaaS businesses:** 70% to 80%

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Quick Ratio

1. **Interpretation**
   - A ratio above 1 indicates the company can cover its short-term liabilities with its liquid assets.
   - Generally, a ratio of 1 or higher is considered good.
   - A higher ratio suggests better short-term liquidity.

2. **Importance**
   - Assesses a company's short-term liquidity position.
   - Indicates ability to meet sudden cash demands.
   - Used by investors, suppliers, and lenders to evaluate financial health.

3. **Example**
   - If a company has:
     - Cash: $20 million
     - Marketable Securities: $10 million
     - Accounts Receivable: $20 million
     - Current Liabilities: $40 million
   - Quick Ratio = ($20M + $10M + $20M) / $40M = 1.25
     - This indicates the company has enough liquid assets to cover its short-term liabilities 1.25 times over.

4. **Considerations**
   - Excludes inventory and prepaid expenses, unlike the Current Ratio.
   - May not be suitable for all industries, especially those with fast-moving inventory.
   - Should be used alongside other financial metrics for a comprehensive analysis.

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Average Contract Value (ACV)

1. **Benchmarks**
   - General range for SaaS companies: $1,000 to $20,000
   - B2B SaaS targeting small businesses: $1,000 to $5,000
   - B2B SaaS targeting mid-market: $5,000 to $25,000
   - Enterprise SaaS: $25,000 to $100,000+
2. **Factors Influencing ACV**
   - Pricing strategy
   - Contract duration
   - Customer segment (SMB, mid-market, enterprise)
   - Product complexity and value proposition
   - Upselling and cross-selling efforts
3. **Importance**
   - Indicates the value customers perceive in the product or service
   - Reflects the effectiveness of pricing strategies
   - Helps in revenue forecasting and growth planning
   - Guides sales and marketing strategies

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