

SaaS Metrics Cheat Sheet for Startups

As a leader of a growing startup, do you know how your SaaS company is performing? SaaS metrics serve as benchmarks that help an organization measure success. By setting clear objectives, companies can align all functions on expectations and goals, helping to take the organization to the next level.

SAAS MARKETING METRICS

Return on Ad Spend (ROAS)

ROAS is the metric that measures the performance of paid advertising initiatives. It compares the revenue driven by ads to the cost of running those ads.

$$ROAS = \text{REVENUE ATTRIBUTED TO AD CAMPAIGN} / \text{COST OF CAMPAIGN}$$

RECOMMENDED BENCHMARK

4:1

Email Open Rate & Email Click-Through Rate

These two metrics help the marketing team gauge how much their audience engages with company emails or news.

$$\text{OPEN RATE} = (\text{TOTAL UNIQUE OPENS} / \text{TOTAL RECIPIENTS}) \times 100$$

$$\text{CLICK-THROUGH RATE} = (\text{NUMBER OF CLICKS} / \text{NUMBER OF OPENED EMAILS}) \times 100$$

RECOMMENDED BENCHMARK

Email open rate: 25%
Email click-through rate: 2.45%

Website Conversion Rate

The website conversion rate illustrates how well marketing initiatives are able to turn visitors into leads.

$$\text{WEBSITE CONVERSION RATE} = (\text{TOTAL NUMBER OF CONVERSIONS} / \text{TOTAL NUMBER OF VISITORS}) \times 100$$

RECOMMENDED BENCHMARK

Website conversion rate: 2.5% - 5% depending on your business model

SAAS REVENUE METRICS

Net Monthly Recurring Revenue (MRR) Growth Rate

The Net MRR growth rate measures the month-over-month percentage increase or decrease in net MRR

$$MRR \text{ GROWTH RATE} = ((\text{NET MRR CURRENT PERIOD} - \text{NET MRR PREVIOUS PERIOD}) / \text{NET MRR PREVIOUS PERIOD}) \times 100$$

RECOMMENDED BENCHMARK

10% - 20%

CAC Payback Period

The CAC payback period is the time it takes for a business to recover the cost of acquiring a customer.

$$CAC \text{ PAYBACK PERIOD} = \text{CUSTOMER ACQUISITION COST} / \text{REVENUE} - \text{AVERAGE COST OF SERVICE}$$

RECOMMENDED BENCHMARK

5 - 15 months

Lifetime Value (LTV)

Lifetime Value (LTV) or Customer Lifetime Value (CLTV) is the overall value of a client to a company throughout the course of their relationship.

$$LTV = \text{AVERAGE TOTAL ORDER AMOUNT} \times \text{AVERAGE NUMBER OF PURCHASES PER YEAR} \times \text{RETENTION RATE}$$

RECOMMENDED BENCHMARK

3x CAC

Win Rate

The Win Rate is the percentage of opportunities that become customers compared to total opportunities in the sales pipeline over a certain period of time (e.g.: a quarter).

$$WIN \text{ RATE} = (\text{CLOSED-WON OPPORTUNITIES} / \text{TOTAL NUMBER OF OPPORTUNITIES}) \times 100$$

RECOMMENDED BENCHMARK

47%

Pipeline Coverage

Pipeline coverage is an indicator used to compare an organization's pipeline (number of opportunities) to the outlined sales quota of a given period to guarantee revenue goals can be met.

$$PIPELINE \text{ COVERAGE} = \text{TOTAL PIPELINE SIZE} / \text{SALES TARGET}$$

RECOMMENDED BENCHMARK

3x - 4x

SaaS Magic Number

This metric measures sales and marketing efficiency. It estimates how many dollars worth of revenue have been generated per dollar spent on acquiring new customers through both sales and marketing.

$$SAAS \text{ MAGIC NUMBER} = (\text{ARR CURRENT Q} - \text{ARR PREVIOUS Q}) \times 4 / \text{SALES \& MARKETING SPEND PREVIOUS Q}$$

RECOMMENDED BENCHMARK

0.75

SAAS PRODUCT METRICS

DAU/RAU Ratio

The DAU/MAU ratio (daily active users to monthly active users) demonstrates how active monthly users are on a daily basis.

$$DAU/RAU \text{ RATIO} = (\text{COUNT DAU} / \text{COUNT MAU}) \times 100$$

RECOMMENDED BENCHMARK

B2B SaaS: 13%
B2C applications: 25%+

Product Activation Rate

Product activation rate refers to the moment a user starts using the product properly and consistently. This is typically measured through a set of user actions, also known as in-app events.

$$PRODUCT \text{ ACTIVATION RATE} = (\text{NUMBER OF COMPLETED IN-APP EVENTS} / \text{NUMBER OF NEW USERS}) \times 100$$

RECOMMENDED BENCHMARK

SaaS products offering a free trial: 40%
SaaS products offering a freemium version: 20%

Net Promoter Score (NPS)

NPS is a metric that assesses customer satisfaction from asking customers how likely they are to recommend a product to others on a scale of 0-10. Promoters give a score of 9-10, Passives 7-8, and Detractors 0-6.

$$NPS = \text{PERCENTAGE OF PROMOTERS} - \text{PERCENTAGE OF DETRACTORS}$$

RECOMMENDED BENCHMARK

Good = 20-30
Great = 30-70

SAAS CUSTOMER SUCCESS METRICS

Customer Satisfaction Score (CSAT)

CSAT measures customer satisfaction level with a specific product or feature. Usually customers will be asked to give a rating from 1 (very dissatisfied) to 5 (very satisfied).

$$CSAT \text{ SCORE} = (\text{NUMBER OF SATISFIED CUSTOMERS*} / \text{TOTAL NUMBER OF RESPONSES}) \times 100$$

* Satisfied customer = 4 and 5 ratings

RECOMMENDED BENCHMARK

60% - 80%

Annual Churn Rate

The annual churn rate measures the proportion of customers you lost in a year.

$$ANNUAL \text{ CHURN RATE} = \text{LOST CUSTOMERS} / \text{TOTAL CUSTOMERS}$$

RECOMMENDED BENCHMARK

3% - 7%

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