



The Essential Guide to SaaS Metrics

A guide to mastering the numbers that drive efficiency and growth



Why Track your Metrics?

If you're a growing SaaS company, metrics are fundamental to running your business effectively. SaaS metrics provide the data-driven foundation for every strategic decision.

Understand your Business

Tracking growth metrics (like ARR and MRR) reveals how effectively you're acquiring and retaining recurring revenue. Retention metrics (such as NDR and churn rate) show the health and stickiness of your customer base. Unit economics (CAC, LTV/CAC, and the Magic Number) measure the profitability of your go-to-market investments. Capital efficiency metrics (cash runway, ARR per employee) ensure you're making the most of every dollar on your balance sheet. Together, these figures tell you whether your business model is sustainable and scalable.

Align Communications

Standardized, regularly reviewed metrics also establish a single source of truth across your organization. Founders, finance teams, marketers, and investors all use the same definitions and formulas, preventing confusion. Clear, consistent data fosters alignment: it guides budget allocations, hiring decisions, product roadmaps, and fundraising activities. In a fast-moving market, timely and accurate SaaS metrics are essential to identify bottlenecks, seize growth opportunities, and maintain competitive advantage.

How to Use this Guide

No matter your role at a SaaS company, you focus on a core set of KPIs because these numbers reflect the overall health and performance of your business. This cheat sheet distills those essential metrics into concise, easy-to-reference pages that you can use to benchmark progress, prepare for fundraising, or align your team around what matters most.

Quick Tips

- **Benchmark first, then drill-down.** Use the ranges on each page to see how your business compares to standard benchmarks in SaaS. Keep in mind that benchmarks may vary for your business based on your business model, stage, size, and customer base ACV.
- **Standardize formulas.** Note the exact calculations—tiny tweaks may skew metrics dramatically and tank accuracy. An important part of understanding your metrics is ensuring that you are calculating them accurately.
- **Review monthly, report quarterly.** Keeping track of your metrics on a recurring basis will ensure that you have a good understanding of how your business is operating both at a specific moment and over time.
- **Use SaaSGrid:** Instead of manually calculating these metrics yourself, you can use [SaaSGrid](#), putting over 150 real-time SaaS metrics at your fingertips. Our business intelligence platform delivers detailed KPIs about every aspect of your business, helping you forecast growth, enhance performance, and build investor confidence.

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Growth Metrics

The starting point for understanding a SaaS business is revenue growth – the best proof of product-market fit.

Growth Metrics Summary

Metric	Formula	Benchmarks
Annual Recurring Revenue (ARR)	Total annual value of a subscription (or MRR x 12)	Series A: \$1M+ Series B: \$5M+ Series C: \$10M+
Monthly Recurring Revenue (MRR)	Total monthly subscription revenue (or ARR ÷ 12)	Series A: \$83.3K+ Series B: \$416.6K+ Series C: \$833.3K+
Compound Monthly Growth Rate (CMGR)	$CMGR = \left(\frac{ARR}{ARR \text{ n months ago}} \right)^{\frac{1}{n}} - 1$	Series A: 15%+ Series B: 10%+
Customer Concentration	Cumulative percent of customers and revenue they represent	Largest customer is <10% of revenue

Annual Recurring Revenue (ARR)

Annual Recurring Revenue (ARR) is the standard for SaaS companies that sell annual subscription contracts. ARR measures the amount of predictable and recurring revenue a company can expect over the course of a year. ARR is one of the most popular revenue metrics for SaaS businesses, as it represents the likely revenue current customers will produce over the next year. Note the requirement that the contract is “recurring” (ongoing); one-time revenue, such as professional services or pilot fees, does not count towards MRR or ARR.

Tracking ARR gives you an immediate snapshot of the scale of your business on a yearly basis, and investors often use ARR thresholds—\$1M+ for Series A, \$5M+ by Series B—as simplified mile markers to gauge whether you’re hitting the right growth trajectory. Make sure not to inflate your ARR with non-recurring services — professional fees, one-time implementation charges, or ad-hoc consulting should be tracked separately.

Growth Metrics (cont.)

Monthly Recurring Revenue (MRR)

Monthly Recurring Revenue (MRR) is the total monthly value of a subscription. While ARR measures the amount of predictable and recurring revenue a company can expect over the course of a year, MRR measures the recurring revenue in a single month. For companies that offer a monthly subscription, MRR is often more appropriate than ARR. If your company sells both, choose the metric that represents the majority of revenue.

Compound Monthly Growth Rate (CMGR)

What's the best way to measure growth in MRR? Simply looking at month-over-month growth rates is likely to be very lumpy. To normalize for this, use a CAGR calculator but on a monthly basis. This is called Compound Monthly Growth Rate (CMGR). For example, if you began the year at \$100k ARR and ended at \$1M ARR, you would enter those starting and ending values over 12 periods, for a CMGR of 21%, an outstanding result.

It's helpful to look at CMGR, versus just the raw growth over a period, because it shows the consistent growth rate on a monthly basis, smoothing out spikes and normalizing longer periods as a monthly growth rate.

Customer Concentration

Is growth being driven by a few big contracts or many small ones? It's a potential red flag if too much revenue is concentrated in too few large accounts. If one or two customers make up the majority of revenue, that's a significant risk to the business that needs to be vetted. On the other hand, if the largest customer is less than 10% of revenue, that indicates low customer concentration.

Customer Concentration is a measure of the distribution of recurring revenue within a company's customer base. For each customer, the cumulative percent of customers (from largest to smallest) and recurring revenue they represent is graphed on a chart.

Retention Metrics

Understanding retention across the customer base is vital to understanding the true health of the business, as a fast growth rate can mask churn and a “leaky bucket”.

Retention Metrics Summary

Metric	Formula	Benchmarks
Net Dollar Retention (NDR)	$\text{Net Dollar Retention} = \frac{\text{Current ARR from customers active in a specific period}}{\text{ARR from the same customers in a past period}}$	Good: 100% Great: 125% Excellent: 150%
Gross Dollar Retention (GDR)	$\text{Gross Dollar Retention} = \frac{\text{Retained ARR from existing customers that started in a previous period, excluding expansion}}{\text{ARR retained from a previous period}}$	Good: 85% Great: 90% Excellent: 95%
Logo Retention	$\text{Logo Retention} = \frac{\text{\# of customers currently active and were active in a certain past period}}{\text{\# of customers active in the past period}}$	Good: 85% Great: 90% Excellent: 95%

Three Methods for Calculating Retention

Note that for dollar retention, there are three methods for calculating retention, which help provide unique insights.

- **Trailing Period:** Recurring revenue from all active customers at a certain point (eg October 2023) compared to recurring revenue from those customers 1, 3, 6 or 12 months later.
- **Cohorted:** Customers are grouped by cohort (sign-up period.) The cohort’s original revenue is compared to recurring revenue from that cohort a fixed amount of time (e.g., 12 months later.)
- **Renewal:** For customers who are up for renewal, the recurring revenue of their expiring contract is compared to the recurring revenue from their new contract.

All three methods provide helpful analysis: trailing period shows the most recent trend for the customer base as a whole, cohorted retention shows how a customer may behave at a certain age, and renewal retention is good guidance for customers who are coming up for renewal.

Retention Metrics (cont.)

Net Dollar Retention (NDR)

Net Dollar Retention (NDR) tracks recurring revenue from a group of customers over time. NDR shows the net impact that expansion, contraction, and churn have on a business. When expansion is greater than the sum of contraction and churn, a business can have >100% NDR (sometimes called net negative churn), which is the gold standard for SaaS companies.

Gross Dollar Retention (GDR)

Gross Dollar Retention (GDR) tracks the percentage of the original recurring revenue that a group of customers retains over time. GDR shows the net impact that contraction and churn have on a business. Especially when compared with logo retention, GDR demonstrates the revenue impact of churned customers. Some logo retention is inevitable and not fatal for a business; if small ACV customers (who are more likely to) churn but large customers retain well, companies can maintain high GDR.

Logo Retention

Logo Retention measures the percent of customers that stay active (non-churned). Logo Retention can never be higher than 100% since the number of logos can't expand. As a result, Logo Retention is usually much lower than Dollar Retention. Logo Retention is typically a function of customer size: 90-95% is common for enterprises, 85% for mid-market, and 70-80% for small businesses. Logo Retention below these benchmarks could be evidence of a problem.

Sales Efficiency Metrics

It's important to analyze sales efficiency to ensure that growth is efficient and sustainable. "Fake" growth can always be achieved through uneconomic levels of spending.

Sales Efficiency Metrics Summary

Metric	Formula	Benchmarks
New Sales ARR / S&M	$\text{New Sales ARR/S\&M} = \frac{\text{New Sales ARR}}{\text{S\&M Expenses}}$	Good: >1
Customer Acquisition Cost (CAC)	$\text{CAC} = \frac{\text{S\&M Expenses}}{\text{Count of New Customers}}$	Variable
CAC Payback Period	$\text{CAC Payback} = \frac{\text{S\&M Expenses}}{\text{New Sales ARR} \times \text{Gross Margin}}$	Good: 18 months Great: 15 months Excellent: 12 months
Magic Number	$\text{Magic Number} = \frac{\text{Net New ARR}}{\text{S\&M Expenses}}$	Good: >1

New Sales ARR / S&M Expense

How much did the Sales & Marketing (S&M) departments (inclusive of all programs and personnel) spend compared to how much New Sales ARR (ARR from new customers only) was added in the same period? Ideally, New Sales ARR is equal to or greater than S&M spending. Comparing Sales & Marketing (S&M) spend to ARR from new customers helps show how efficiently S&M spend translates to new revenue.

While there are more sophisticated metrics for tracking sales efficiency, such as CAC Payback and LTV, New Sales ARR / S&M is helpful because of its simplicity: it doesn't look at expansion or gross margins. Instead it solely focuses on sales and marketing spend compared to new ARR.

Sales Efficiency Metrics (cont.)

Customer Acquisition Cost (CAC)

Customer Acquisition Cost (CAC) measures how much, on average, it costs to acquire a new customer. CAC divides S&M expense in the preceding period by the number of new customers in the current period. The lag is intended to reflect the time it takes for S&M investment to materialize in new sales. Longer or shorter lag may be appropriate depending on the length of the sales cycle.

CAC is one of the most important SaaS metrics as it sets the basis for the economics of the rest of the business: how much it costs to acquire a new customer is directly correlated to the ACV and retention required to run a profitable business.

CAC Payback Period

CAC Payback Period measures how many months it takes a cohort of customers to produce enough Gross Profit to pay back the sales and marketing expenses it took to acquire those customers.

CAC Payback is the best overall measure of sales efficiency: when you account for a company's gross margin, how many months of MRR are they paying up front to acquire a customer? Hypothetically, a business with high dollar retention could make money with a long CAC payback, but since CAC is predominantly an upfront expense, the long payback would have a strong negative cashflow effect.

Magic Number

Magic Number is the Net New ARR in a period divided by S&M expense from the prior period. Ideally, the ratio is greater than one. Magic Number compares how sales and marketing spend translates to changes in ARR, taking expansion, contraction, and churn into account. Magic Number is a measure of capital efficiency, particularly in sales and customer success. Because Magic Number incorporates contraction and churn, it makes sure the overall business is selling efficiently.

Unit Economics Metrics

Understanding the fundamental unit economics of your business ensures that you grow sustainably and efficiently.

Unit Economics Metrics Summary

Metric	Formula	Benchmarks
Gross Margin	$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$	75-85% for SaaS
Lifetime Value (LTV)	$\text{Lifetime Value} = \frac{\text{Cumulative Gross Profit from a cohort in month X}}{\text{\# of customers in the cohort}} - \text{Cohort CAC}$	Variable

Gross Margin

Gross Margin reflects a company’s margin after subtracting the cost of goods sold (COGS) from revenue. For SaaS companies, COGS typically consist of hosting costs, any data or software needed for the product to operate, and the cost of frontline operations. There can be good reasons for lower gross margins early in a company’s lifecycle, but in the long-term, SaaS companies should have a Gross Margin of at least 75%.

Lifetime Value (LTV)

Lifetime Value (or LTV) measures the amount of revenue a customer will generate over the entire duration of their subscription. LTV is used to assess the long-term profitability of acquiring and retaining customers. LTV helps SaaS companies understand how much they can spend on customer acquisition while remaining profitable.

LTV combines gross margin, sales efficiency, retention, and ACV to give an overall picture of how profitable your customers are. When LTV goes from negative to positive, it represents the “true” CAC payback period after S&M expenses and COGS.

Capital Efficiency Metrics

Capital efficiency metrics show how well you turn investor cash into recurring revenue, guiding fundraising and headcount plans.

Capital Efficiency Metrics Summary

Metric	Formula	Benchmarks
Burn	$\text{Burn} = \frac{\text{Current Cash Balance} - \text{Previous Period's Ending Cash Balance} - \text{Cash from Financing}}{\text{Net New ARR}}$	Variable
Burn Multiple	$\text{Burn Multiple} = \frac{\text{Burn}}{\text{Net New ARR}}$	Good: <2 Great: <1.5 Excellent: <1
ARR per Employee	$\text{ARR per Employee} = \frac{\text{ARR}}{\text{Headcount}}$	Variable
Runway	$\text{Runway} = \frac{\text{Current Cash Balance}}{\text{Burn}}$	>12 months

Burn

Burn measures the change in a company's cash balance over a period, not including cash received from financing activities. Note that there are many reasons why burn may diverge from GAAP net income. For example, annual contracts with upfront payments create positive cash flow cycles, while loan products create negative ones.

Burn Multiple

Burn Multiple is a company's Net Burn divided by its Net New ARR in a given period. This formula evaluates burn as a multiple of ARR growth. In other words, how much is the company burning in order to generate each incremental dollar of ARR? The higher the Burn Multiple, the more the startup is burning to achieve each unit of growth.

Capital Efficiency Metrics (cont.)

ARR per Employee

ARR per employee is a measure of company maturity and efficiency. Looking at how much ARR a company has per employee can help reveal how close they are to profitability and whether there are operational issues requiring lots of staff.

SaaS companies inevitably start with low ARR per employee, as even before they monetize they must have a staff to build the product. However, as a company matures, they eventually need enough ARR to cover all employee costs and the rest of overhead.

Runway

Runway measures how long a company can continue to operate without running out of cash at current levels of burn. Runway is always measured in months.

Companies always need to keep a close eye on their runway because it dictates how long they can continue to operate without outside financing. It's important to always calculate runway using historical burn figures: assuming burn will decrease in the future, especially because of projected revenue growth, is a risky proposition that can leave companies in a tight space. It's best to be conservative with cash and try to always have at least 12 months of runway, so there is ample time to run a fundraising process or get to profitability before running out of cash.

Putting it All Together

If you're a growing SaaS company, metrics are fundamental to running your business effectively.

To drive sustained growth, combine your metrics into a cohesive story that highlights both achievements and opportunities. Start by identifying your standout KPIs, then pinpoint areas for improvement. Use these insights to set specific goals: tighten onboarding processes to lift retention, optimize marketing spend to improve your Magic Number, or renegotiate vendor contracts to boost gross margin.

Next, integrate these metrics into regular usage. Set up regular reviews: a rapid daily check-in for leading indicators, a monthly deep dive for operational metrics (CAC payback, NDR), and a quarterly presentation for investors that tells a clear, numbers-backed narrative. By weaving your metrics into every decision rhythm, you'll ensure transparent alignment across teams, faster issue resolution, and more confident strategic planning.

This is where SaaSGrid can help!

SaaSGrid centralizes your key SaaS metrics in one intuitive dashboard, automatically syncing data from your billing, CRM, and analytics tools so you always work with the latest numbers. With a library of 150+ SaaS metrics, SaaSGrid makes it easy for you to create dashboards and reports, share these metrics with both internal and external parties, and streamlines your reporting to ensure accuracy.

Questions? Comments? Reach out to us to learn more about SaaSGrid at our website: www.saasgrid.com