

SaaS Metrics Fundamentals

Q: What does MRR mean?

A: Monthly Recurring Revenue — the predictable revenue generated every month from subscriptions.

Q: What does ARR mean?

A: Annual Recurring Revenue — the yearly equivalent of recurring subscription revenue ($MRR \times 12$).

Q: What does CAC mean?

A: Customer Acquisition Cost — the total cost of acquiring a new customer (sales + marketing spend \div new customers).

Q: What does LTV (or CLV) mean?

A: Lifetime Value — the total revenue expected from a customer over their entire relationship with the company.

Q: What does Churn Rate mean?

A: The percentage of customers or revenue lost during a given period.

Q: What does ARPU mean?

A: Average Revenue Per User — total revenue divided by the number of active users.

Q: What does Gross Margin mean in SaaS?

A: Revenue minus cost of service delivery (like hosting, support), expressed as a percentage.

Q: What does CAC Payback Period mean?

A: The time it takes to recover the cost of acquiring a customer from the revenue they generate.

Q: What does Expansion Revenue mean?

A: Additional revenue generated from existing customers through upgrades, add-ons, or cross-sells.

Q: What does Net Revenue Retention (NRR) mean?

A: The percentage of recurring revenue retained from existing customers, including expansions and excluding churn.