

Top Metrics in SaaS

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Retention & Renewal

Your company's ability to retain its customers over time translates into positive or negative impact on profitability. Therefore retention metrics are highly important, as they usually dictate whether your business can generate future growth and stay on the market. Particularly in SaaS, where business models are highly dependent on future revenue, monitoring retention performance is vital.



Customer Churn Rate

$$\frac{\text{Number of churned customers in a given interval}}{\text{Total number of customers at the start of that interval}}$$



Customer Retention Rate

$$\left(\frac{\text{Total customers} - \text{New customers}}{\text{Old customers}} \right)$$



Customer Renewal Rate

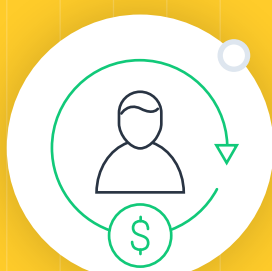
$$\left(\frac{\text{Number of customers who renew their subscription}}{\text{Total number of customers up for renewal}} \right) / 100$$

Align this metric with your subscription's specific features. Consider renewal type (automatic or manual) • track campaign views, number of successful enrollments, conversion rate, cancellation attempts, recovered subscriptions, recovered rate, and so on. Consider your churn rates (voluntary and involuntary) • track authorization rates, retry attempts, soft and hard declines and so on.



Cost-to-Service (CTS)

$$\text{Infrastructure and product costs} + \text{Customer success team costs} + \text{Retention program costs}$$



Customer Lifetime Value (CLV, CLTV or LTV)

$$\frac{a}{c} + \frac{[m \times (1 - c)]}{c^2}$$

a = initial ARPA per month x Gross Margin %
m = monthly growth in ARPA per account x Gross Margin % (note this is a \$ figure, not a percentage)
c = Customer Churn Rate % (percentage of revenue not renewed at the end of a subscription term)



Customer Engagement Score

Sum of certain customer taken actions that are relevant for estimating engagement, each with assigned values and weights



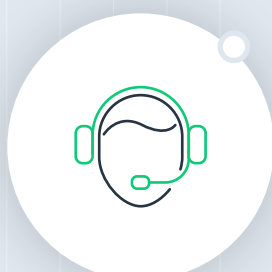
Gross MRR Churn Rate

$$\left(\frac{\text{Total MRR Churn current month}}{\text{Total MRR at the start of this month}} \right) \times 100$$



Net MRR Churn Rate

$$\left[\frac{(\text{MRR Churn} - \text{Expansion MRR})}{\text{Total MRR at the start of the month}} \right] \times 100$$



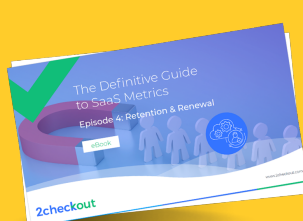
The Volume of Support Tickets

The total number of support tickets received.



Net Promoter Score (NPS)

$$\% \text{ Promoters} - \% \text{ Detractors}$$



Want to learn more?

Download our eBook:

The Definitive Guide To SaaS Metrics – Episode 4: Retention & Renewal

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