Software KPIs

KPI	Formula	Definition
Customer Acquisition Cost (CAC)	(sales expenses for a time period including salary and OH costs / number of customers acquired during that period)	The average amount it costs to acquire a new customer. This helps determine the resources that are needed for a company to attract new customers and continue its growth.
Churn Rate	USERS AT BEGINNING OF PERIOD - USERS AT END OF PERIOD / USERS AT BEGINNING OF PERIOD = CHURN RATE	The annual percentage rate at which customers stop subscribing to a service. A typical "good" churn rate for SaaS companies that target small businesses is 3-5% monthly.
Average Annual Contract Value	The ACV Formula Annual Contract Value (ACV) includes the value of all subscription revenue, normalized across one year. Total contract value (excluding one-time fees) ÷ Total years in contract = Annual contract value (ACV) Price Intelligently Calculating Annual Contract Value (ACV)	Is the average annualized revenue per customer contract. It excludes any one-time fees.
Lifetime Value of Customers (LTV)	(Average Annual Contract Value / Churn Rate)	Represents the total amount of money a customer is expected to spend in your business, or on your products, during their lifetime.
LTV CAC ratio	(Lifetime Value of Customers/Customer Acquisition Cost)	Is a great way to see if your company is positioned for sustainable growth. This ratio acts as a barometer for determining how much or how little you should spend on marketing and/or sales to maximize your growth and stay ahead of the competition.
Average Revenue per user (ARPU)	(Total Revenue/Total Customers)	The average amount of monthly revenue that you receive per user.
Customer Retention Rate	((Current month # of customers - Prior month # of customers) / Current month # of customers)	Shows the month over month change in number of customers engaged to do business with the company.
Monthly Recurring Revenue (MRR)	(Total number of paying users/ average revenue per user)	Income that a business can count on receiving every single month - a predictable revenue. It's a consistent number you can use to track all your recurring revenue over time, in monthly increments.
Annual Recurring Revenue (ARR)	(Total Contract value/number of relative years)	Annual recurring revenue refers to the monetary value of a subscription-based company's subscriber base or yearly value of a single subscription. This metric is most often used to measure yearly revenue for subscription services (such as software services like CoSchedule, Spotify, or Adobe's Creative Cloud)

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	(Net Income + Interest + Taxes + Depreciation + Amortization)	Is a measure of a company's overall financial performance and is used as an alternative to net income in some circumstances. EBITDA, however, can be misleading because it strips out the cost of capital investments like property, plant, and equipment.
Return on Equity (ROE)	(net income/shareholders' equity)	Signifies how good the company is in generating returns on the investment it received from its shareholders.
Contribution Margin	Sales Revenue-Variable Costs	Can be stated on a gross or per-unit basis. It represents the incremental money generated for each product/unit sold after deducting the variable portion of the firm's costs.
Contribution Margin Ratio	((Sales Revenue-Variable Costs)/Sales Revenue)	This ratio shows the amount of money available to cover fixed costs. It is good to have a high contribution margin ratio, as the higher the ratio, the more money per product sold is available to cover all the other expenses.
Burn Rate	$\text{Gross Burn Rate} = \frac{\text{Cash}}{\text{Monthly Operating Expenses}}$ $\text{Net Burn Rate} = \frac{\text{Cash}}{\text{Monthly Operating Losses}}$	Is typically used to describe the rate at which a new company is spending its venture capital to finance overhead before generating positive cash flow from operations. It is a measure of negative cash flow. (For Start Ups)
Dollar Retention Rate	(Revenue at Start + Upgrades – Downgrades – Churn) / Revenue at the Start	Percentage of recurring revenue retained from existing customers over time.
Logo retention Rate	(Available Renewals – Obtained Renewals) / Available Renewals	Percentage of customers retained over a given period of time.

For a review of your KPIs, contact us for a free consultation!