



## KEY PERFORMANCE INDICATORS (KPIs)

This tool is meant to help you determine which indicators you should use to measure performance against your goals, as well as prepare you for any questions investors might ask. While not exhaustive, this list, which is often created during the Launch Stage, will give you a solid foundation to track success.

REVENUE METRICS	DEFINITION	FORMULA
<b>Burn Rate</b>	The negative cash flow of the company. It shows how quickly money is spent and helps inform how much cash is required to operate.	$[(\$) \text{ total amount spent month B} - (\$) \text{ Total amount spent month A}] / (\$) \text{ Total amount spent month A} \times 100 = (\%) \text{ Gross Burn Rate}$
<b>Average Revenue Per Unit (ARPU)</b>	Measure of the revenue generated per account, typically per year or month.	$(\$) \text{ Total monthly recurring revenue} / (\#) \text{ total accounts} = (\$) \text{ (ARPU)}$
<b>Monthly Recurring Revenue (MRR)</b>	The amount of money you make that is contractually locked in to recur every month. Appropriate for companies who require a monthly commitment to use, as opposed to a single use or annual fee.	$\text{SUM}(\text{Paying customers monthly fee}) = \text{MRR}$
<b>Annual Recurring Revenue (ARR)</b>	The amount of money made that is contractually locked in to recur on a yearly, or annual basis.	$(\text{Overall Subscription Cost Per Year} + \text{Recurring Revenue From Add-ons or Upgrades}) - \text{Revenue Lost from Cancellations} = \$\text{ARR}$
<b>Revenue Growth Rate</b>	Month over month percentage increase in revenue.	$[(\$) \text{ revenue month B} - (\$) \text{ revenue month A}] / (\$) \text{ revenue month A} \times 100 = (\%) \text{ revenue growth rate}$
<b>Annual Contract Value (ACV)</b>	Summarizes the average annual contract value of a customer subscription. It is used by business to business SaaS companies that use annual or multi-year subscription plans.	$(\text{full contract value} - \text{one-time fees}) / \text{number of years in contract} = \$ \text{ACV}$
<b>Cost of Goods Sold (COGS) – SaaS</b>	The direct costs attributable to the production of the goods sold by a company or the services provided. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good or service.	If non-recurring revenue: $\text{Cost of Support} + \text{Cost of Services} + \text{Cost of Customer Success} + \text{Dev Ops} = \$ \text{COGS}$ If recurring revenue (ARR or MRR): $\text{Cost of Support} + \text{Cost of Customer Success} + \text{Dev Ops} = \$ \text{COGS}$
<b>Gross Margin % – SaaS</b>	Total revenue minus total cost of goods sold.	$(\text{Total revenue} - \text{Total COGS}) / \text{Revenue} = \% \text{ Gross Margin}$



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CUSTOMER METRICS	DEFINITION	FORMULA
<b>Customer Churn Rate</b>	Percentage of customers lost during a given period of time. For SaaS or mobile, this is based on the number of customers who cancel their subscription. For non-subscription (point in time or ecommerce are examples) it's the failure to make a repeat purchase within a fixed timeframe.	$[(\#) \text{ Total customers churned this time period} / (\#) \text{ Total customers at the start of this time period}] \times 100 = (\%) \text{ Customer Churn Rate}$
<b>Cost to Acquire a Customer (CAC)</b>	Total cost of sales and marketing efforts required to acquire a new customer.	$\text{Total cost of sales and marketing} / \# \text{ of customers acquired} = \$ \text{ CAC}$
<b>Lifetime Value (LTV)</b>	The total revenue a company expects to earn over the lifetime of their relationship with a single customer. The customer lifetime value calculation accounts for the customer acquisition costs, operating expenses, and costs to produce the goods or services that the company is providing.	$\text{ARPU} * \text{Customer Churn Rate} (\%) = \$ \text{ LTV}$
<b>Daily Active Users (DAU)</b>	The total number of people that login and engage with a SaaS or web product on a daily basis. An "active user" refers to one unique user logging in.	Total number of unique users on any given day
<b>Monthly Active Users (MAU)</b>	The number of people who have opened and engaged in some way in the past month	Sum of unique users for prior 30 days leading up to calculation date
<b>Net Promoter Score (NPS)</b>	A metric used in customer experience programs. NPS measures the loyalty of customers to a company based on the response to the question loosely phrased "on a scale of 0-10, how likely are you to recommend (company name) to a friend or colleague?"	<p>NPS Promoter Classifications:            (Total respondents with score of 9 or 10)/Total Respondents = Promoter %            (Total respondents with score of 7 or 8)/Total Respondents = Neutral %            (Total respondents with score of 6 or less)/Total Respondents = Detractor %</p> <p><math>\% \text{ Promoter} - \% \text{ Detractors} = \text{Net Promoter Score}</math></p>