

ChartMogul

# SaaS Benchmarks Report

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# Introduction

In this report, we analyze anonymized and aggregated **data from thousands of SaaS businesses** to bring you benchmarks for early stage SaaS companies.

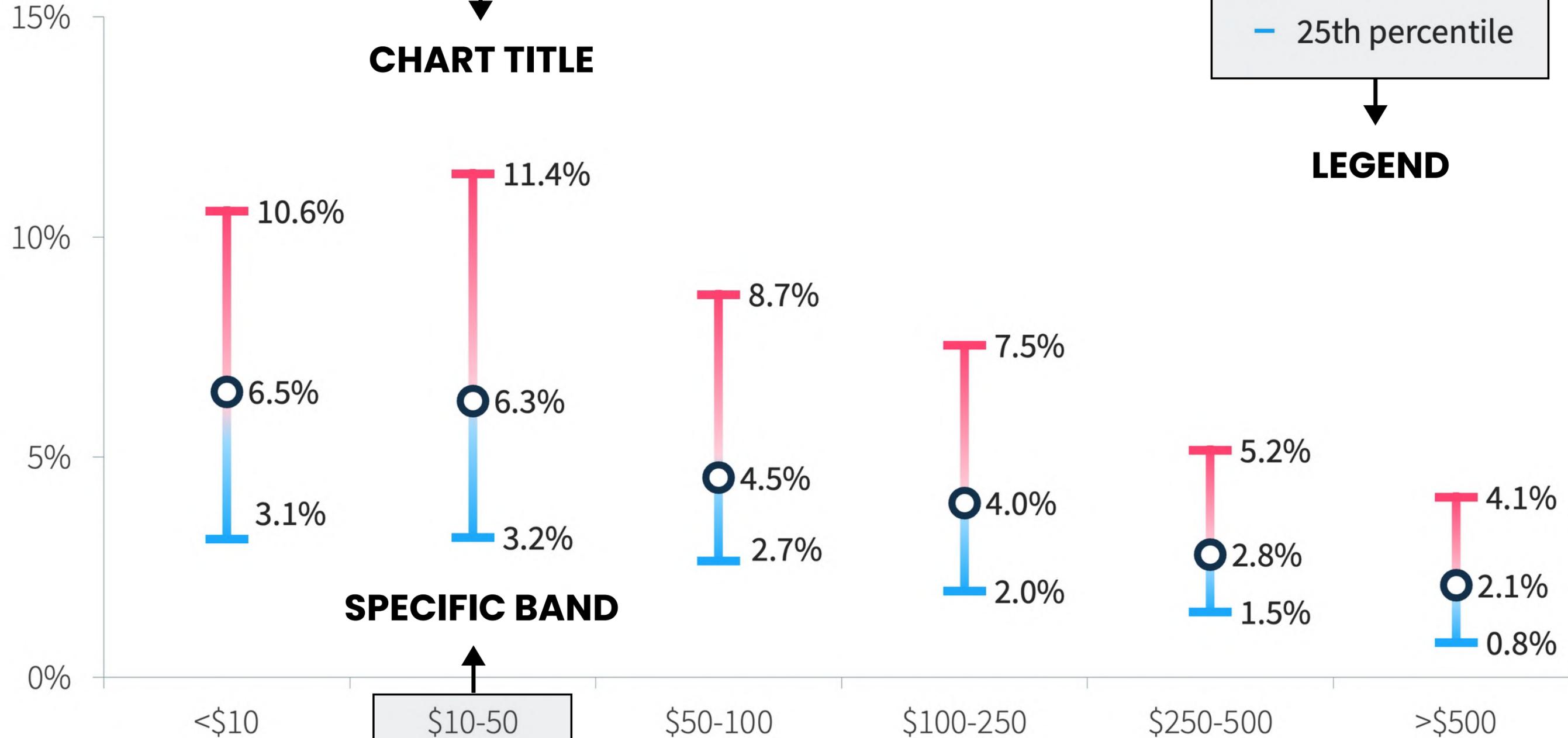
We share **key insights** such as "What's a good growth rate?", or "What's a good churn rate?" for SaaS businesses by band. Each band is defined as a specific range of:

- i) Monthly recurring revenue (MRR), or
- ii) Average revenue per account (ARPA)

# How to read the charts?

## Monthly Customer Churn Rate (%) by ARPA Bands

CHART TITLE



75th percentile

Median

25th percentile

LEGEND

SPECIFIC BAND

ARPA per month band

BAND TYPE

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- 06.** Growth Rate Benchmarks
- 07.** Calculation Methodology
- 08.** About ChartMogul

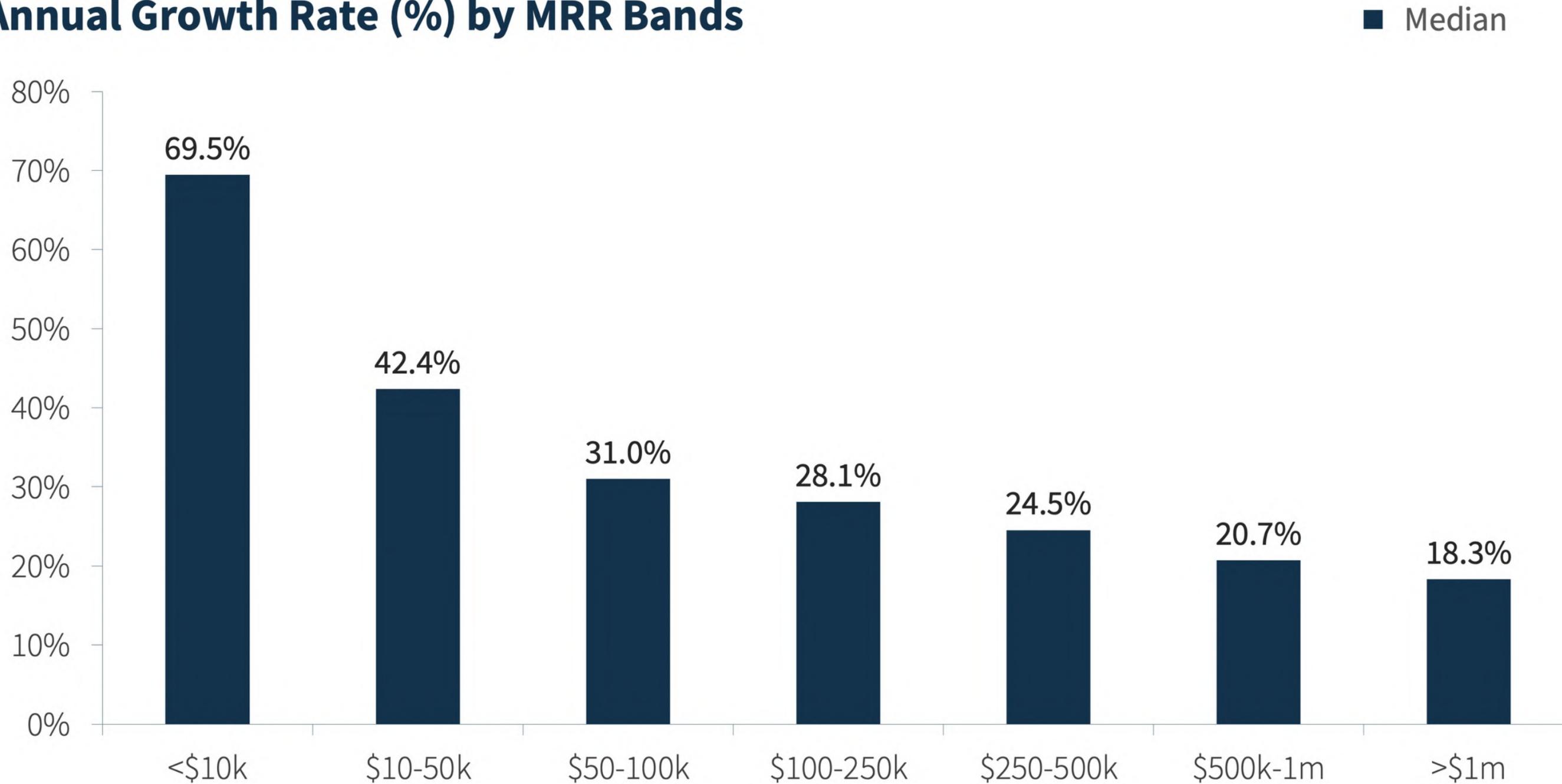
Chapter

01

**10 Key SaaS  
Insights**

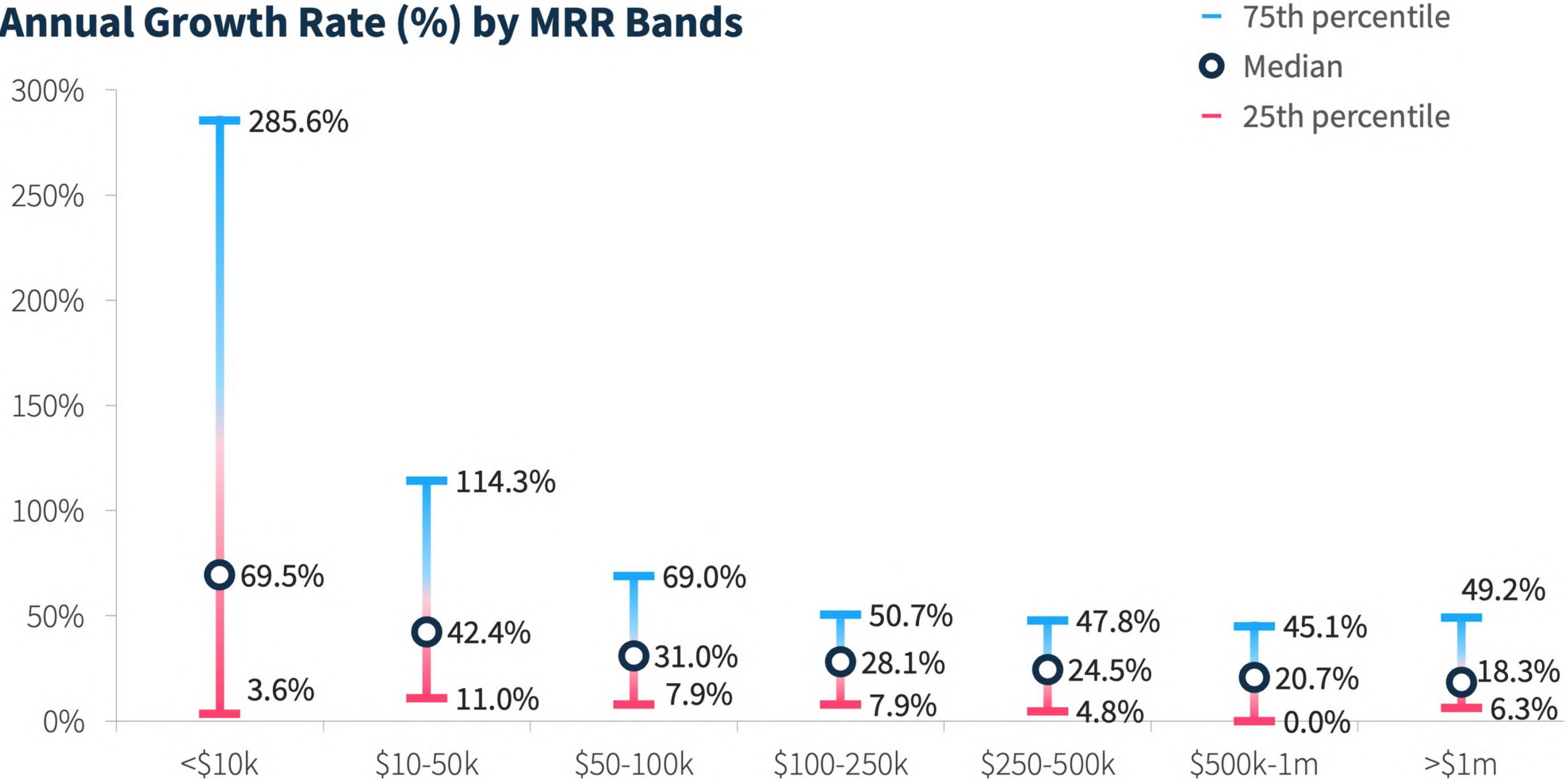
# 1. Growth is faster in the early stages. As companies mature, the median growth rate slows down

## Annual Growth Rate (%) by MRR Bands



## 2. The fastest growing companies outgrow others multiple times over

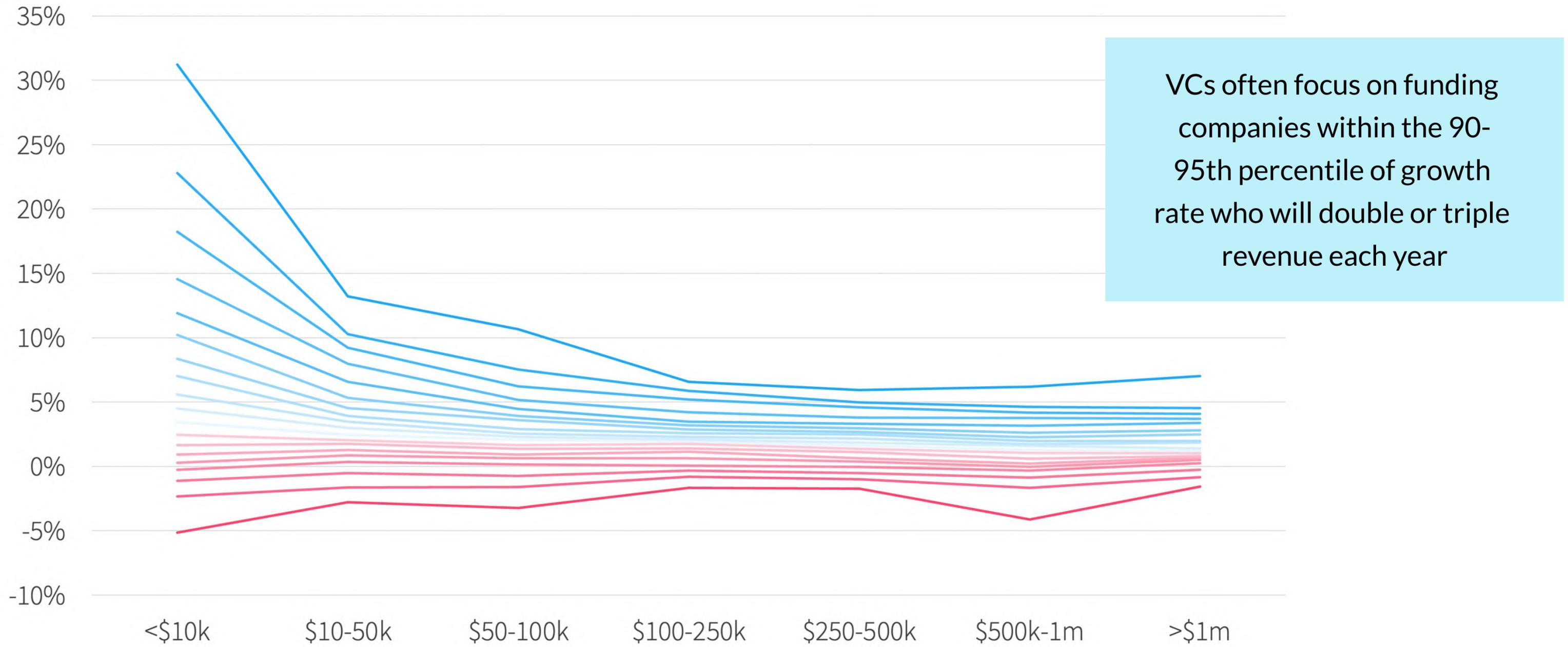
### Annual Growth Rate (%) by MRR Bands



# 3. Dispersion in growth is high initially but stabilizes as companies mature

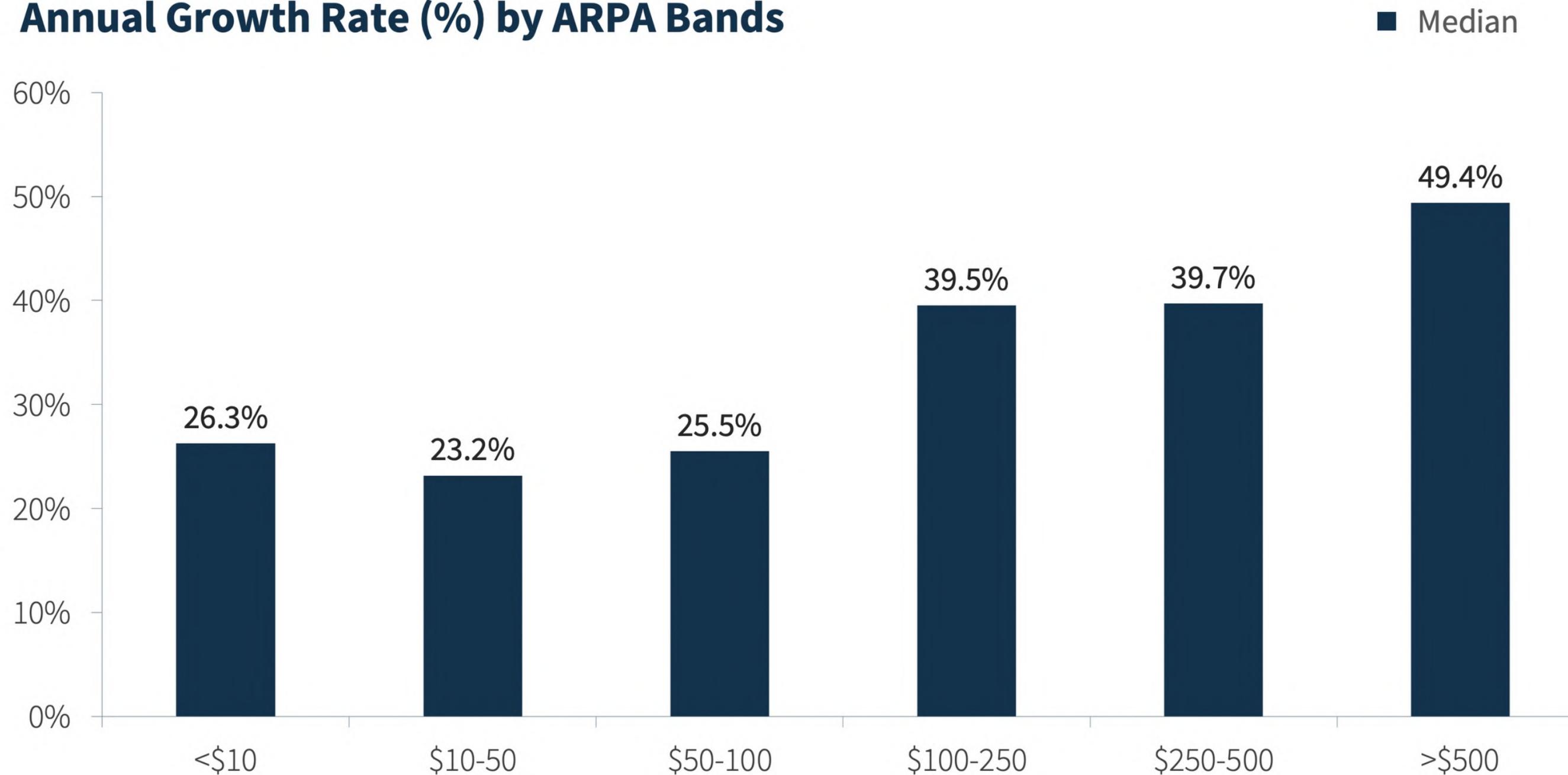
## Compound Monthly Growth Rate (%) by MRR band

Every 5th percentile (95th to 5th going down)



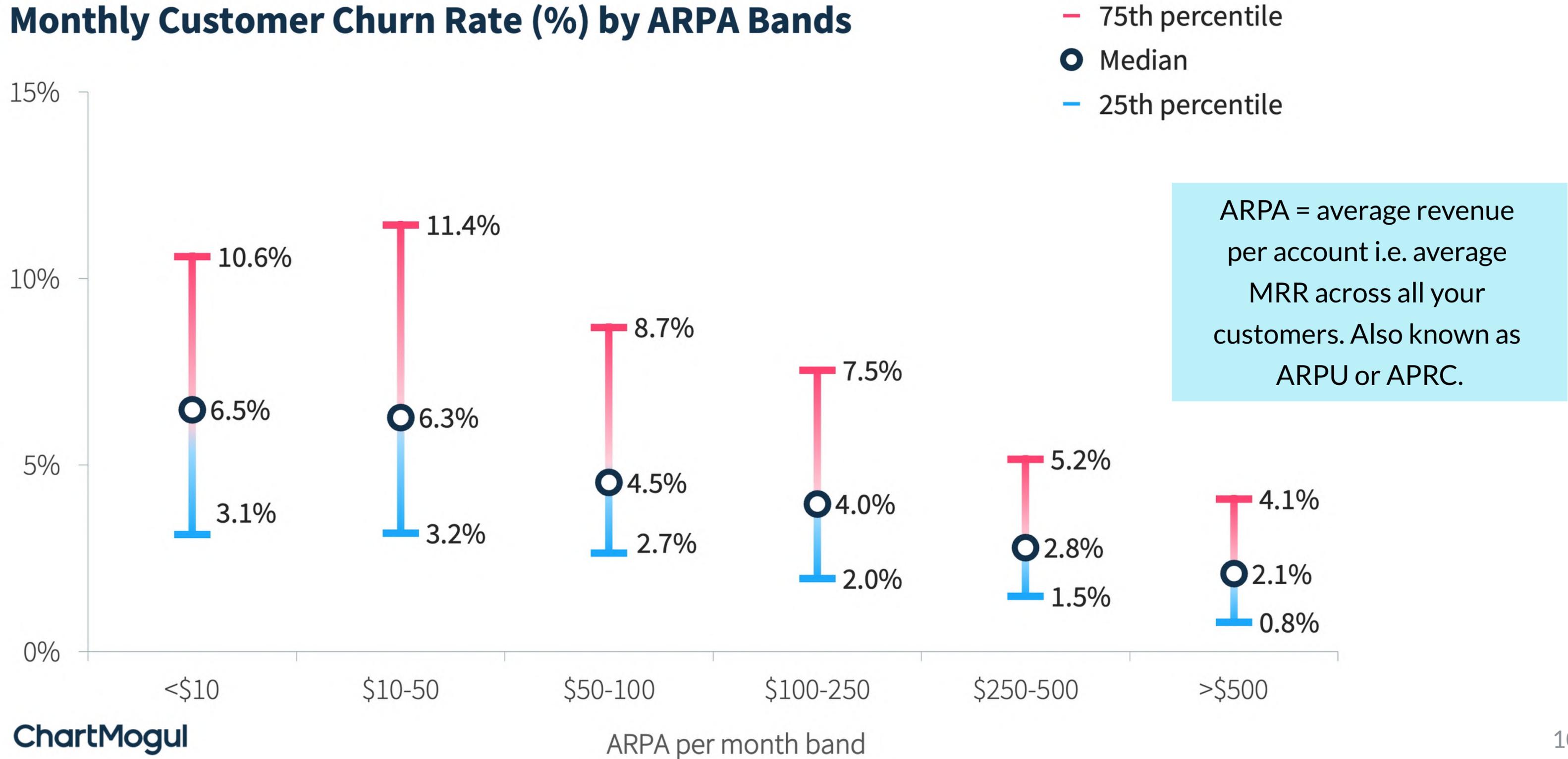
# 4. Companies with a higher average revenue per account (ARPA) tend to grow 1.5–2x faster

## Annual Growth Rate (%) by ARPA Bands



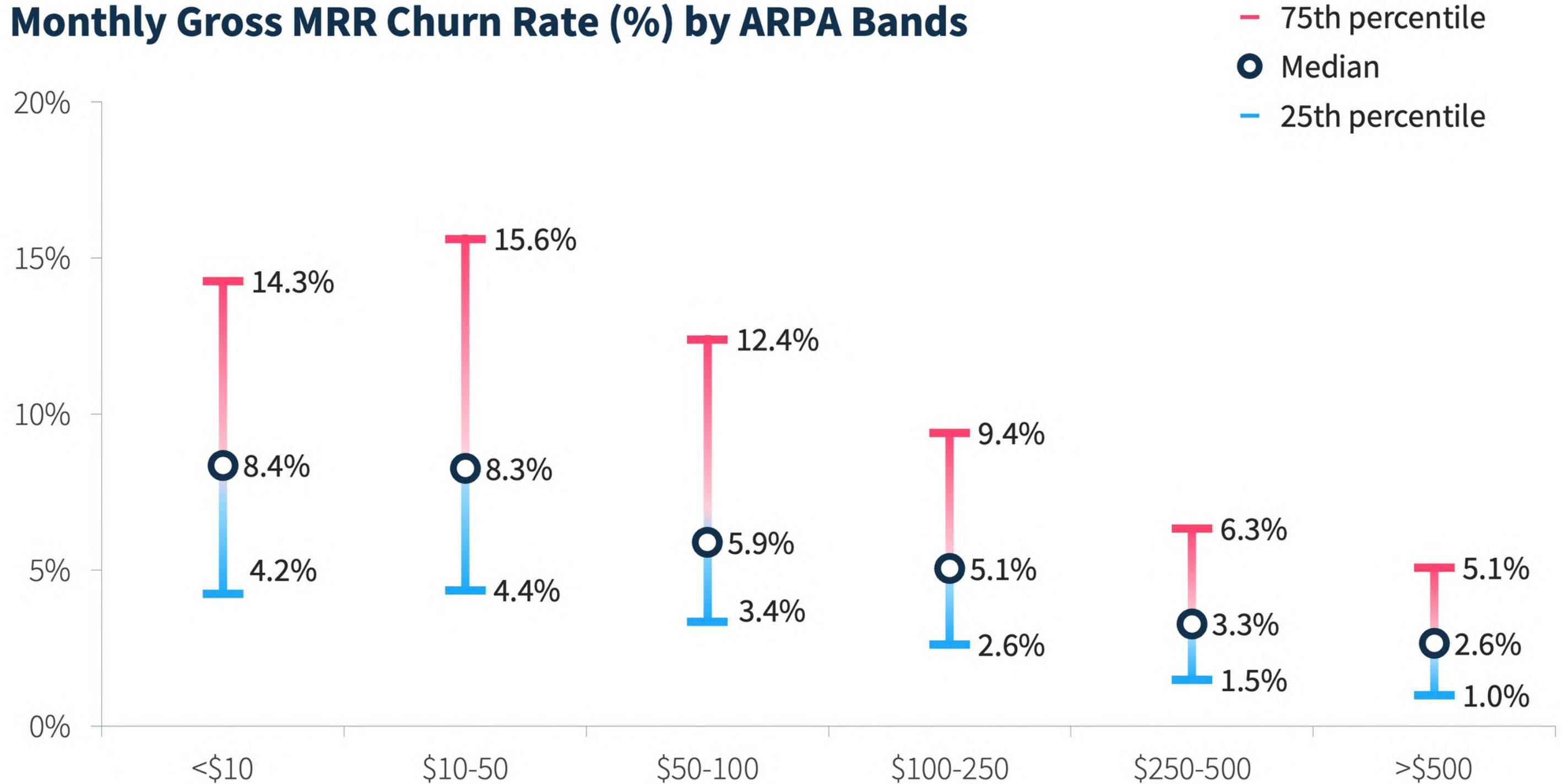
# 5. A higher ARPA corresponds to a lower customer churn rate

## Monthly Customer Churn Rate (%) by ARPA Bands



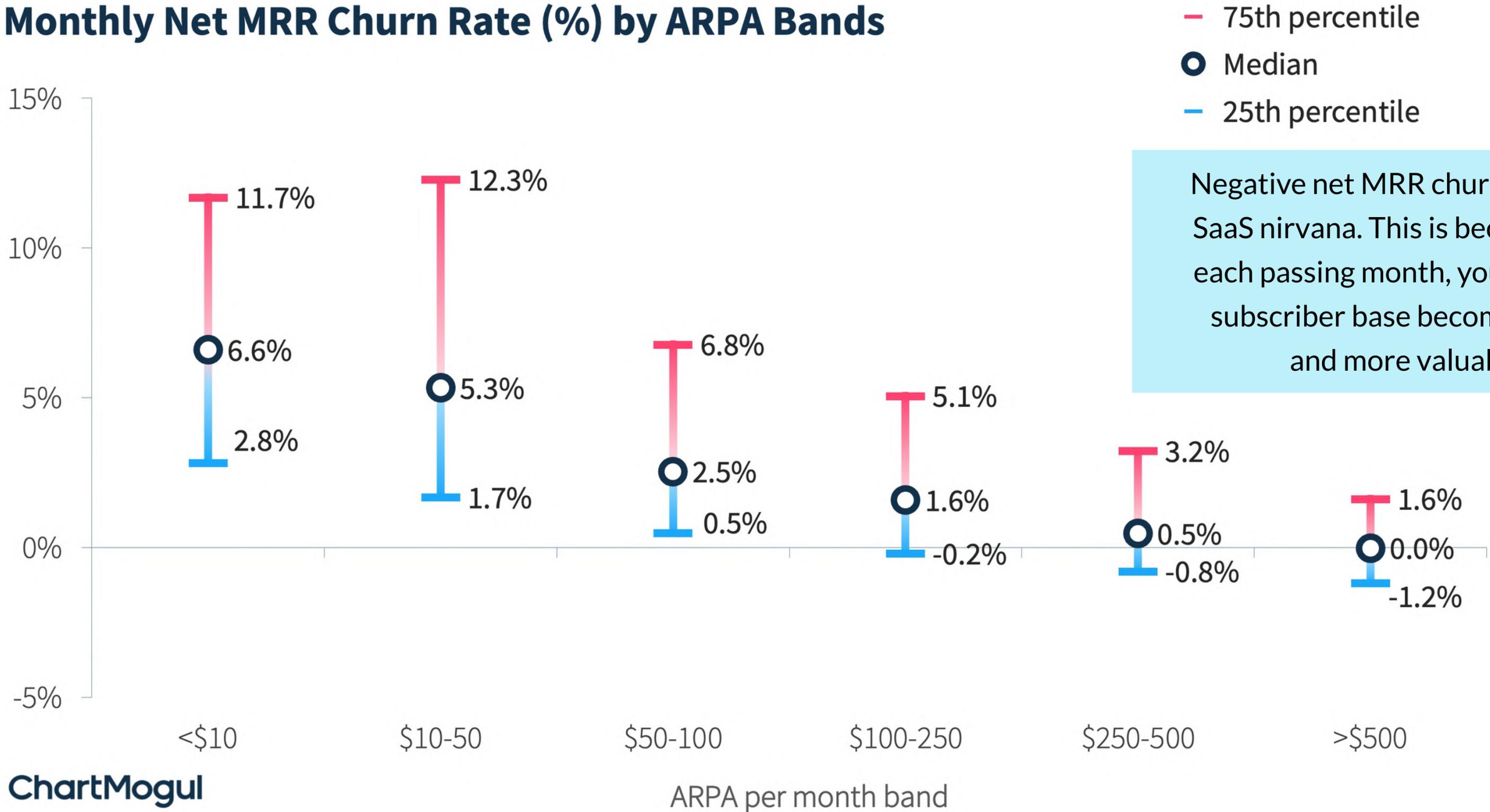
# 6. A higher ARPA corresponds to a lower gross MRR churn rate

## Monthly Gross MRR Churn Rate (%) by ARPA Bands



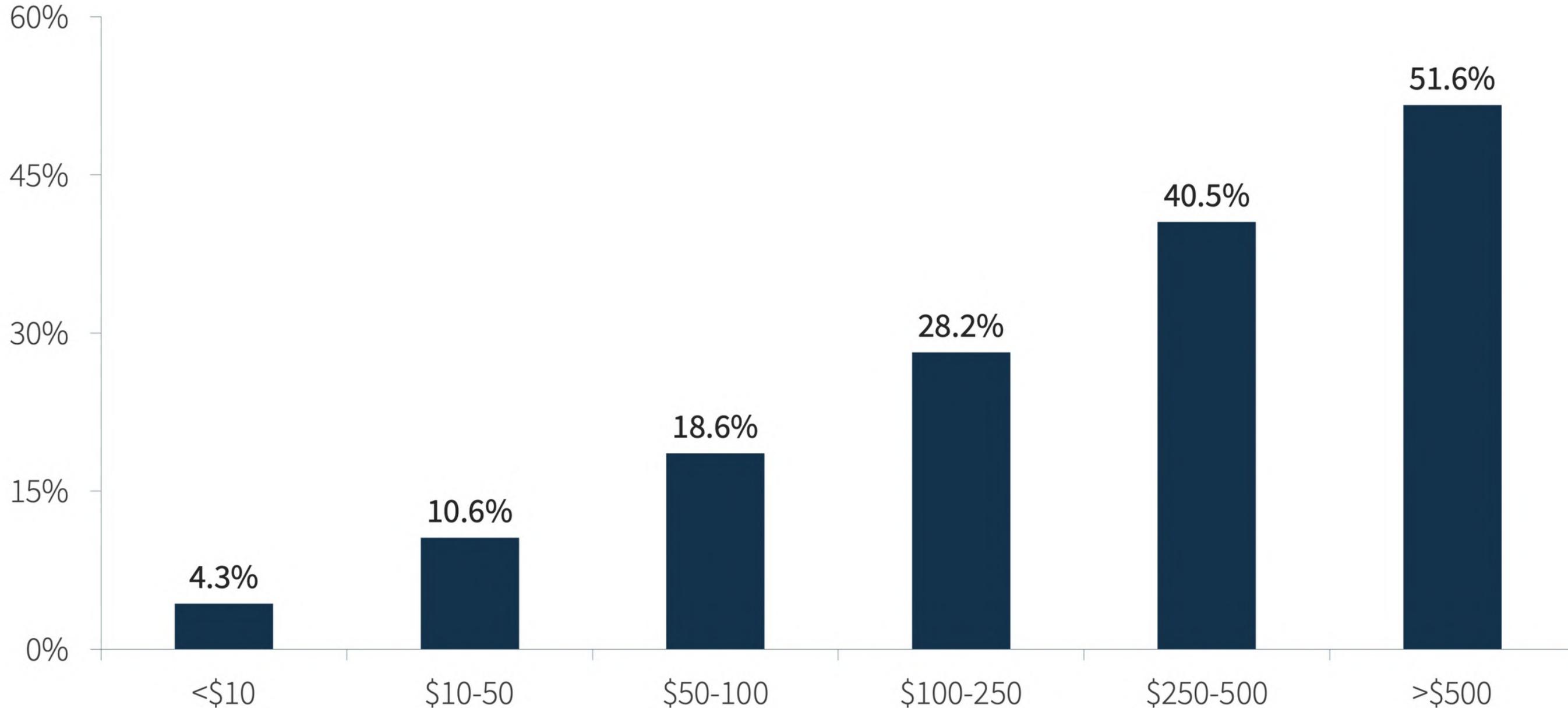
# 7. Companies should target a negative net MRR churn rate

## Monthly Net MRR Churn Rate (%) by ARPA Bands



# 8. More than half the companies with average revenue per account (ARPA) per month >\$500 have a negative net MRR churn rate

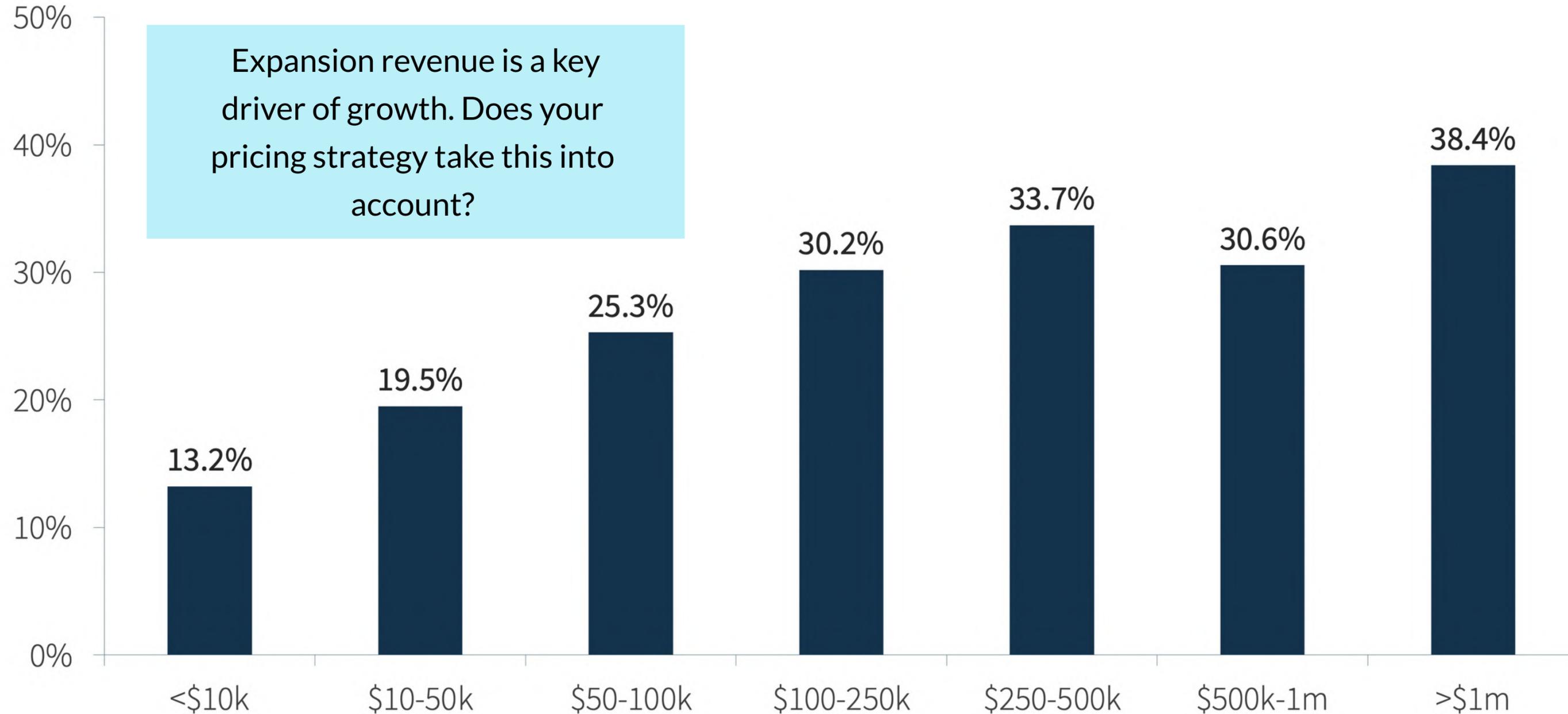
## % of Companies that have Negative Net MRR Churn Rate (%) by ARPA Bands



# 9. Expansion is the key to growth as companies mature

## Expansion MRR as a % of MRR Added by MRR Bands

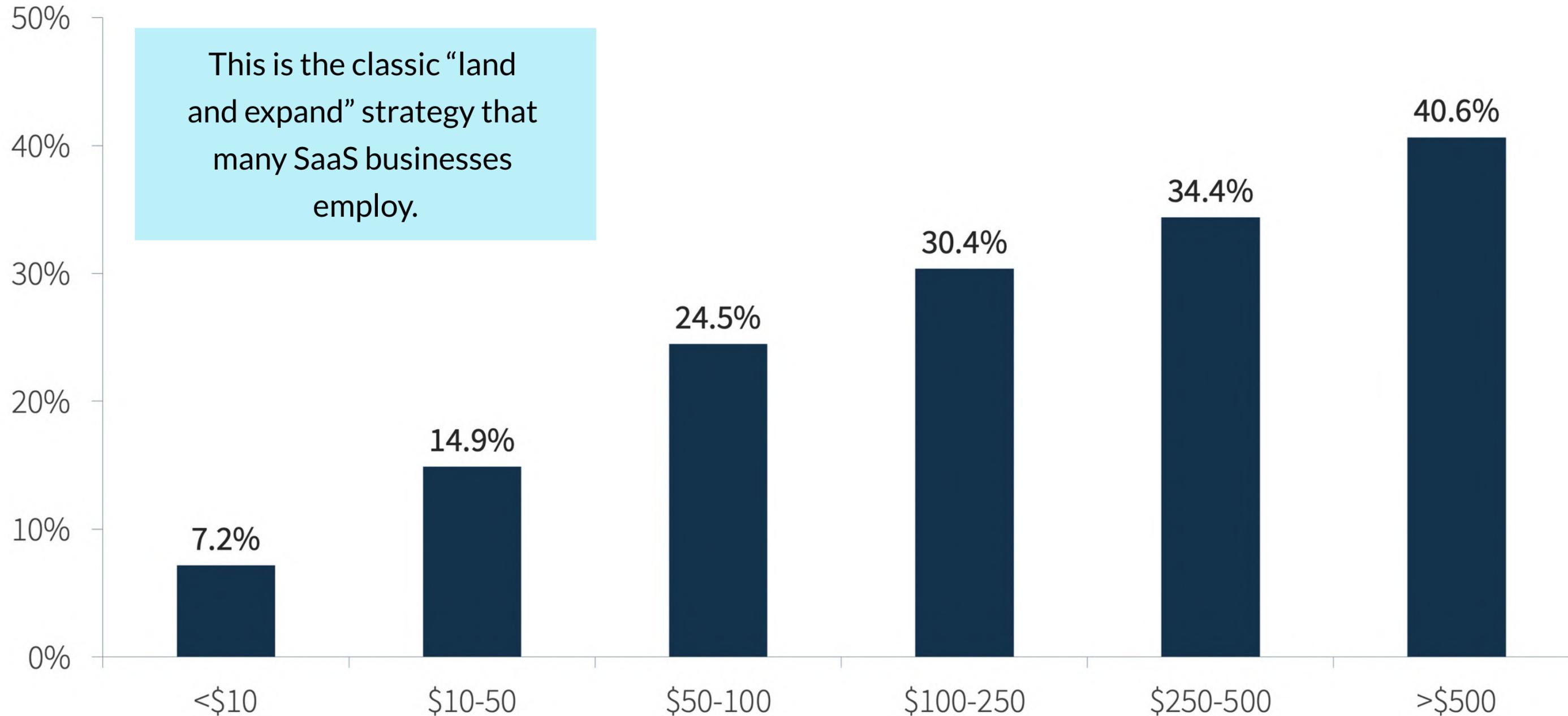
■ MEAN



# 10. Expansion is the key to growth at higher ARPA's

## Expansion MRR as a % of MRR Added by ARPA Bands

■ MEAN



Chapter

02

**Customer Churn  
Rate Benchmarks**

# Churn Basics

- **What is churn?** Churn is the rate at which customers or revenue is leaving your SaaS business.
- **Why is churn a helpful metric?** Because it gives you immediate feedback (compared to other cohort-based metrics such as customer retention or net/gross dollar retention). You can run tests on your platform and see the results in a few days or months.

# Why do customers churn?

Three reasons:

- 1. A poor onboarding experience** — Customers sign up but can't get to the 'aha' moment where they see the magic of your product.
- 2. Price doesn't correlate with value** — Customers see the value in your product, but they can get more value for the same price elsewhere.
- 3. Involuntary churn** — Unrelated to your product value, some customers churn due to credit card expiry, declined payments, etc.

# What is customer churn rate? How is it calculated?

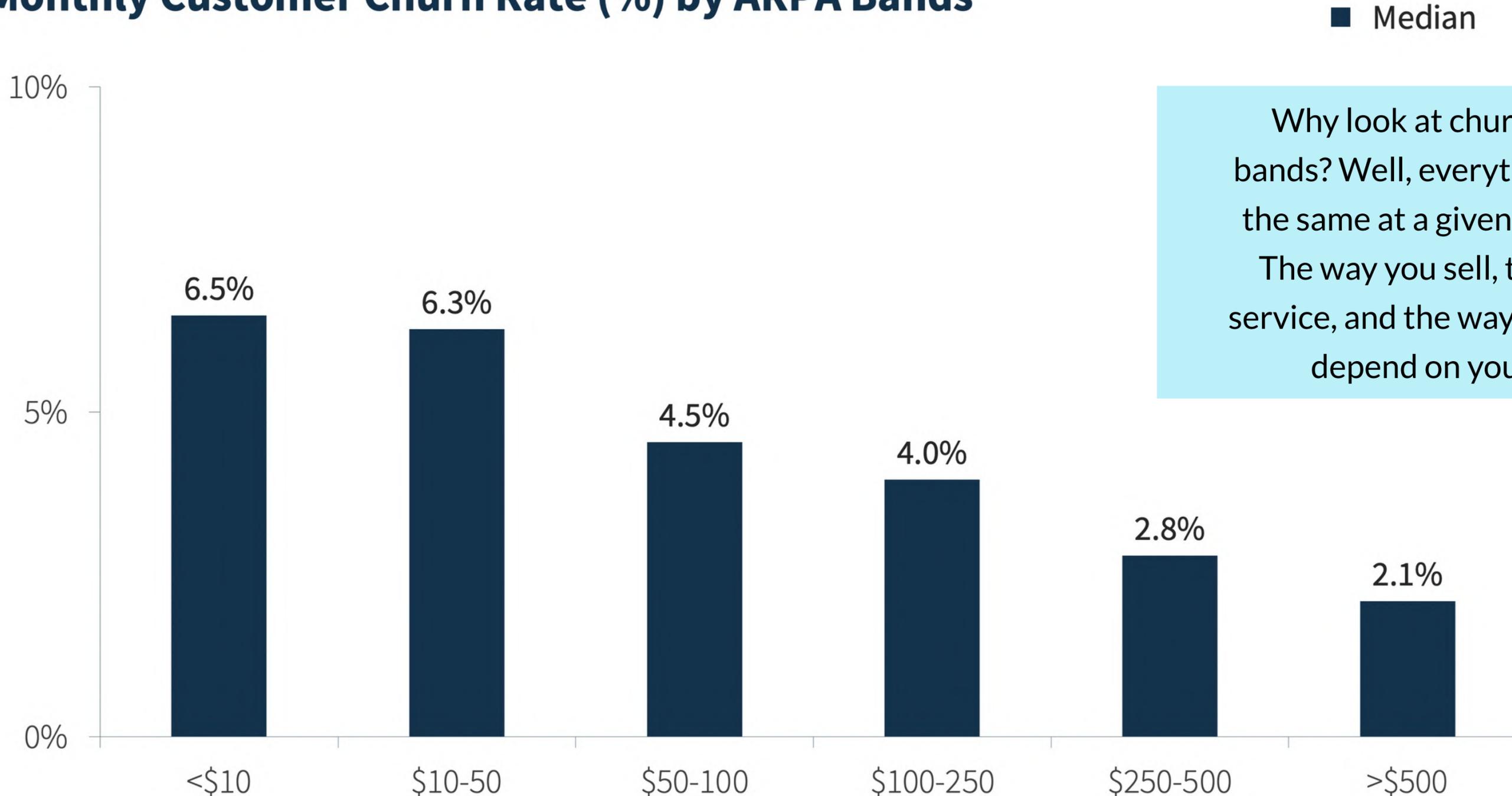
- **What is customer churn rate?** Customer churn rate measures the rate at which customers are leaving your SaaS business.

- **Customer Churn Rate** = 
$$\frac{\text{\# of customers who churned in the period}^*}{\text{\# of customers at the start of the period}}$$

*\*excluding any customers who both joined and churned in the same period*

# The higher the ARPA, the lower is the median customer churn rate

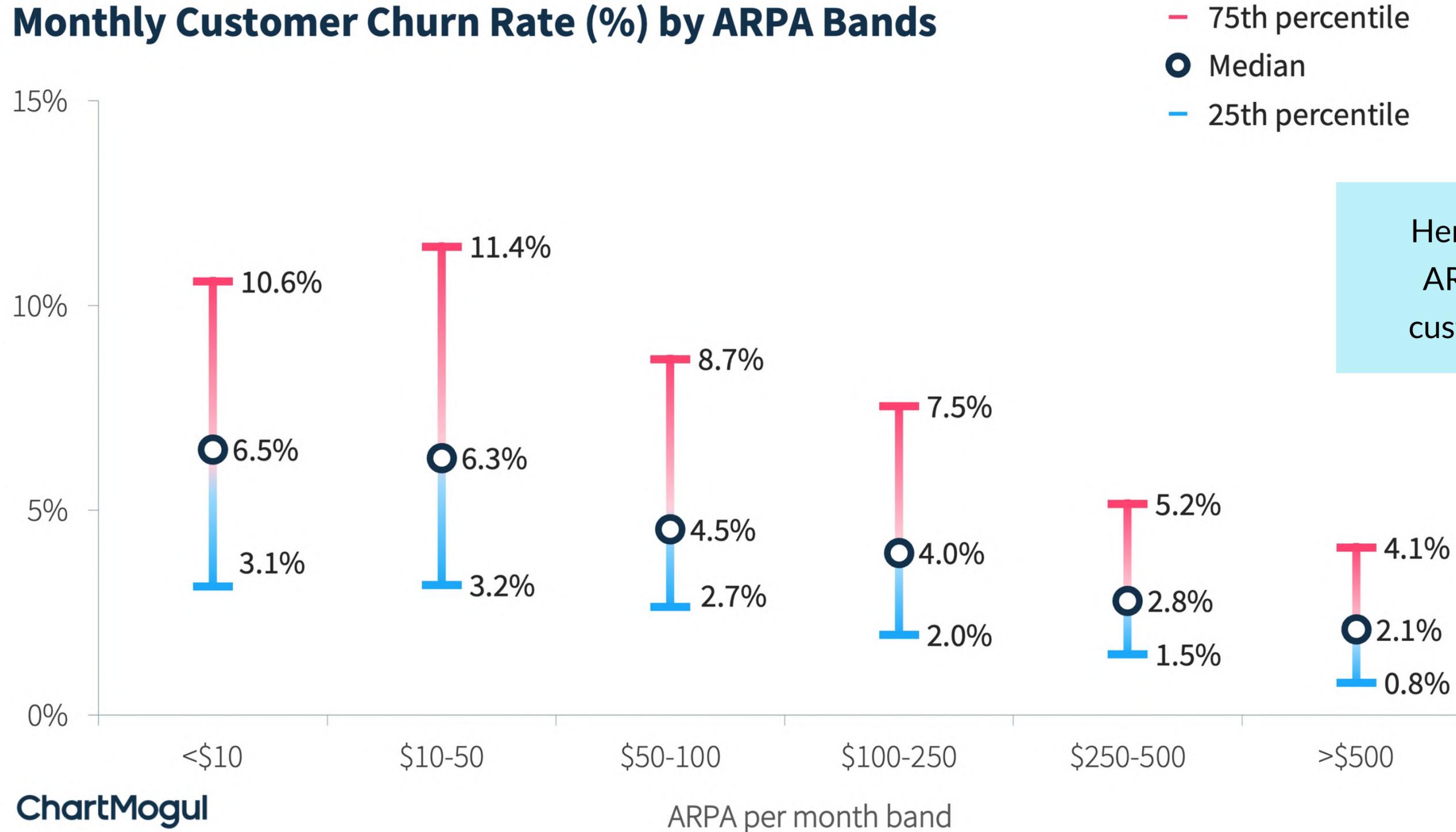
## Monthly Customer Churn Rate (%) by ARPA Bands



Why look at churn by ARPA bands? Well, everything is sort of the same at a given ARPA value. The way you sell, the way you service, and the way you retain all depend on your ARPA.

# At the higher end, some companies have an unsustainable customer churn rate of >10%

## Monthly Customer Churn Rate (%) by ARPA Bands



# 10% monthly churn is equivalent to losing almost 70% of your customers in a year

## Monthly to Yearly Churn Calculation

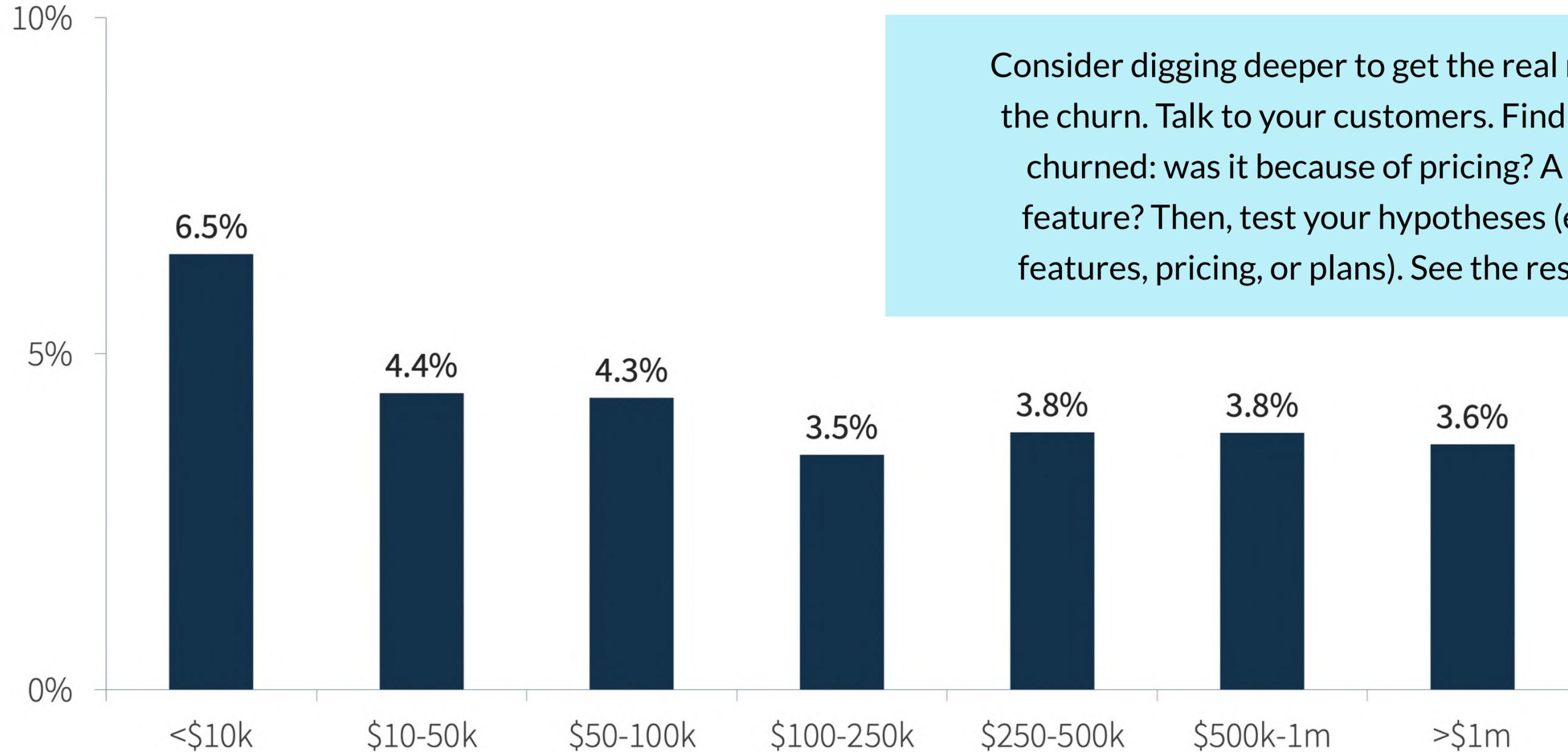
Monthly Churn Rate	Corresponding Yearly Churn Rate	Monthly Churn Rate	Corresponding Yearly Churn Rate
1.0%	11.4%	9.0%	67.8%
2.0%	21.5%	10.0%	71.8%
3.0%	30.6%	11.0%	75.3%
4.0%	38.7%	12.0%	78.4%
5.0%	46.0%	13.0%	81.2%
6.0%	52.4%	14.0%	83.6%
7.0%	58.1%	15.0%	85.8%
8.0%	63.2%	16.0%	87.7%

Calculation Methodology: Annual Churn Rate =  $(1 - (1 - \text{Monthly Churn Rate})^{12})$

# As companies find product market fit and grow, the median customer churn rate initially declines but then stabilizes at 3-4% per month

## Monthly Customer Churn Rate (%) by MRR Bands

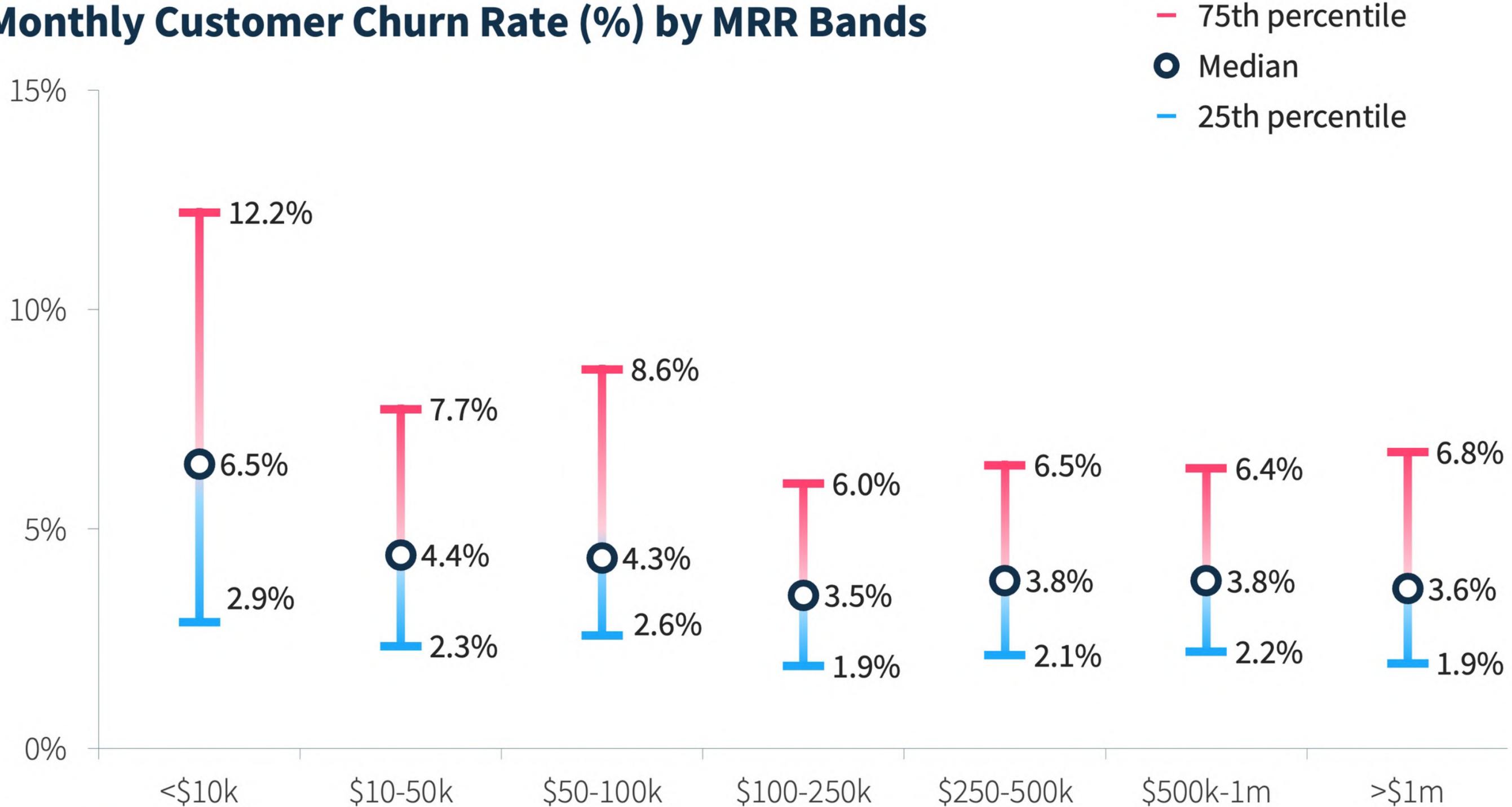
■ Median



Consider digging deeper to get the real reason behind the churn. Talk to your customers. Find out why they churned: was it because of pricing? A missing key feature? Then, test your hypotheses (eg. updating features, pricing, or plans). See the results. Repeat.

# Companies should target a customer churn rate of <2% per month

## Monthly Customer Churn Rate (%) by MRR Bands



Chapter

03

**Gross MRR Churn  
Rate Benchmarks**

# What is revenue churn? How is it different from customer churn?

- **What is revenue churn?** Revenue churn measures the rate at which revenue is leaving your SaaS business.
- **How is it different from customer churn?** Depending on the revenue concentration, customer churn can be different from revenue churn. For example, imagine you're running a SaaS business with three customers: A (\$20 MRR), B (\$30), & C (\$50). Now, one day, C cancels. In this case, the customer churn rate is 33% but revenue churn rate is 50%. Given this difference, it is good to look at both customer & revenue churn.

# Types of revenue churn

Revenue churn can be calculated in two ways:

- 1. Gross basis** — This is called **Gross MRR churn**. This takes into account the MRR lost via churn and contraction from your existing customers.
- 2. Net basis** — This is called **Net MRR churn**. This takes into account both the MRR lost (via churn and contraction) and gained (via expansion and reactivation) from your existing subscriber base.

# How is gross MRR churn calculated? What does it mean to have high churn?

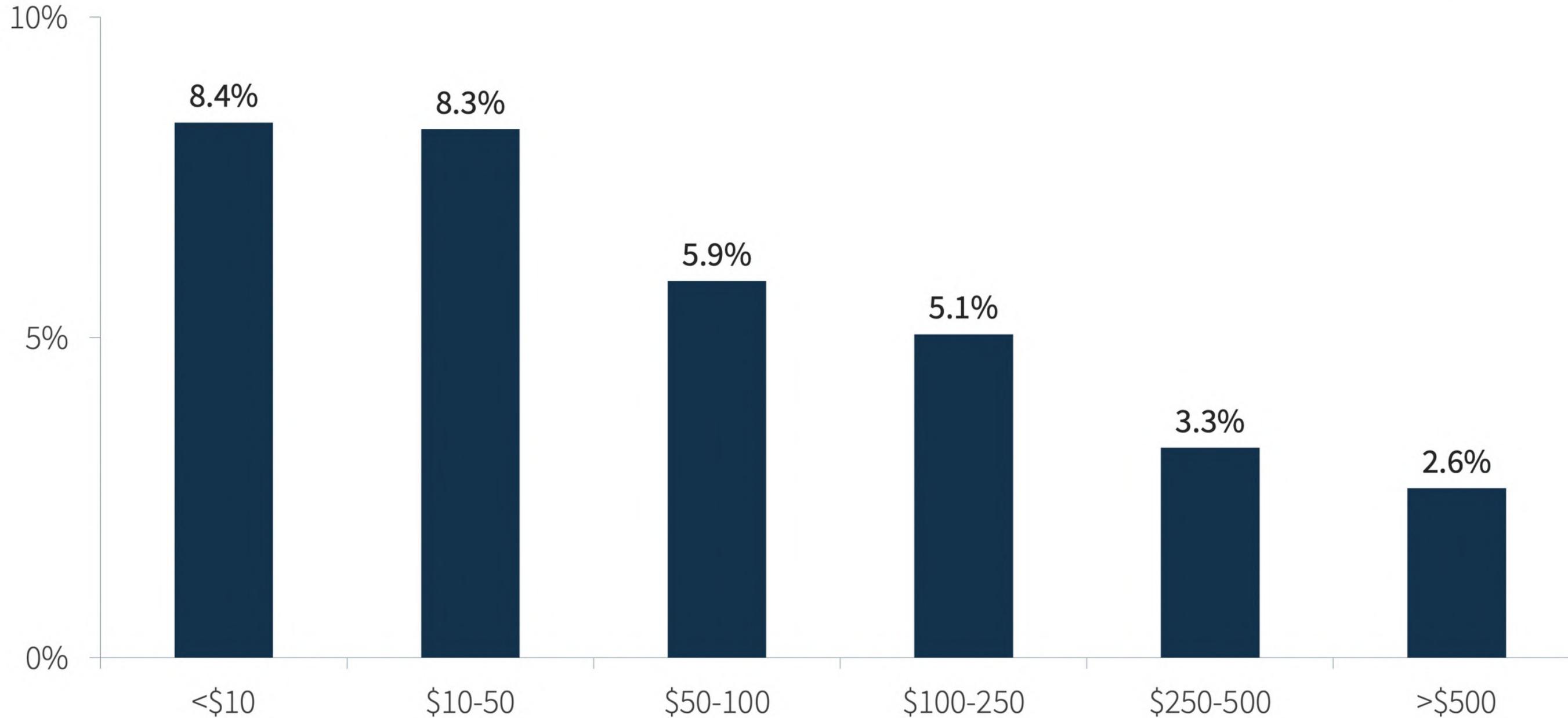
- **Gross MRR Churn Rate** = 
$$\frac{\text{Sum of Churn \& Contraction MRR}}{\text{MRR at start of period}}$$
- **What does it mean to have high churn?** A high churn means:
  - i) You won't be able to compound your revenue
  - ii) The money you just spent to acquire your customers i.e. the customer acquisition cost (CAC) will go down the drain sooner

Try to bring your churn down before accelerating your growth spend.

# Higher ARPA correlates to lower gross MRR churn

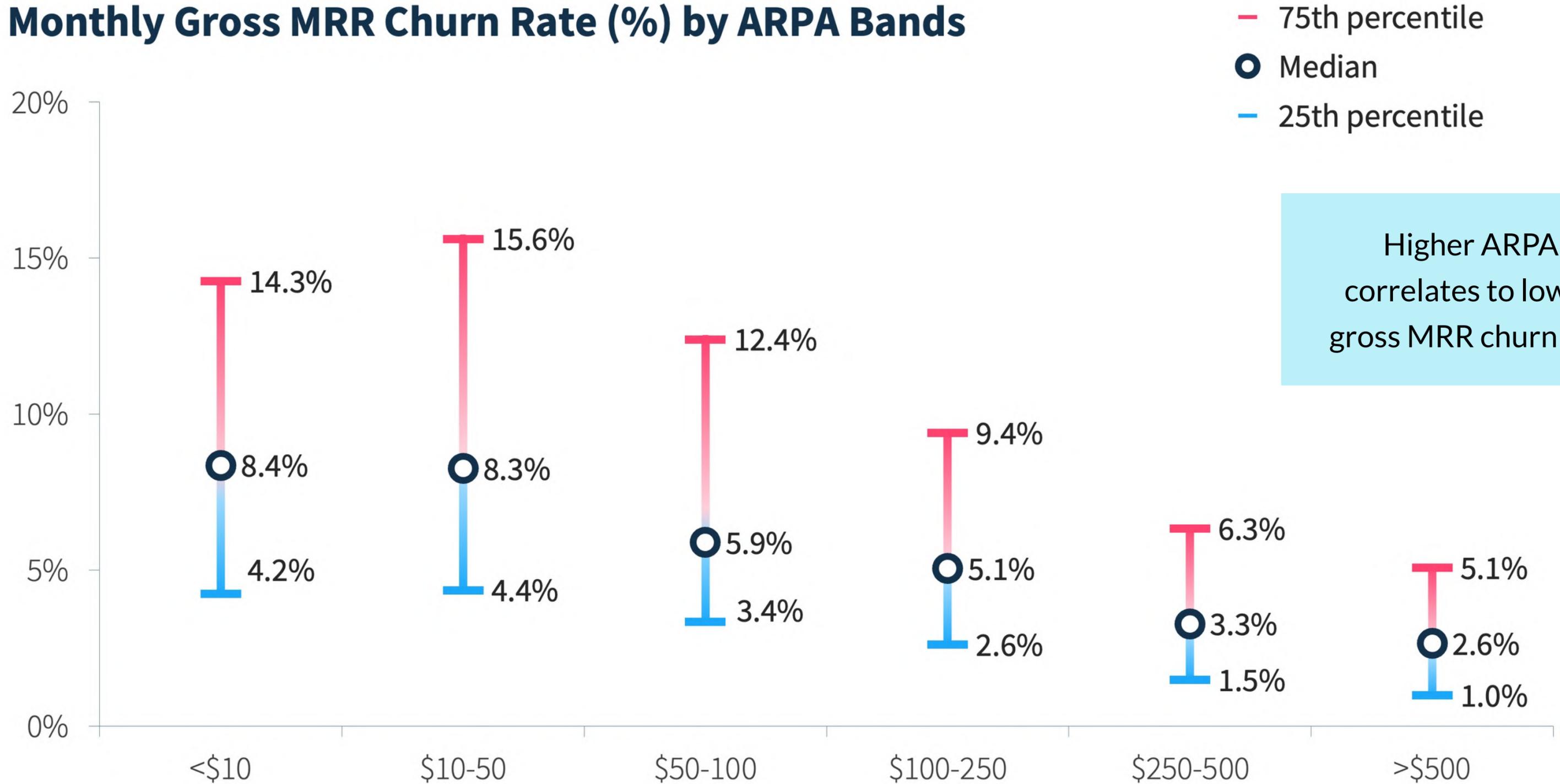
## Monthly Gross MRR Churn Rate (%) by ARPA Bands

■ Median



# 10–15% monthly gross MRR churn rate is unsustainable

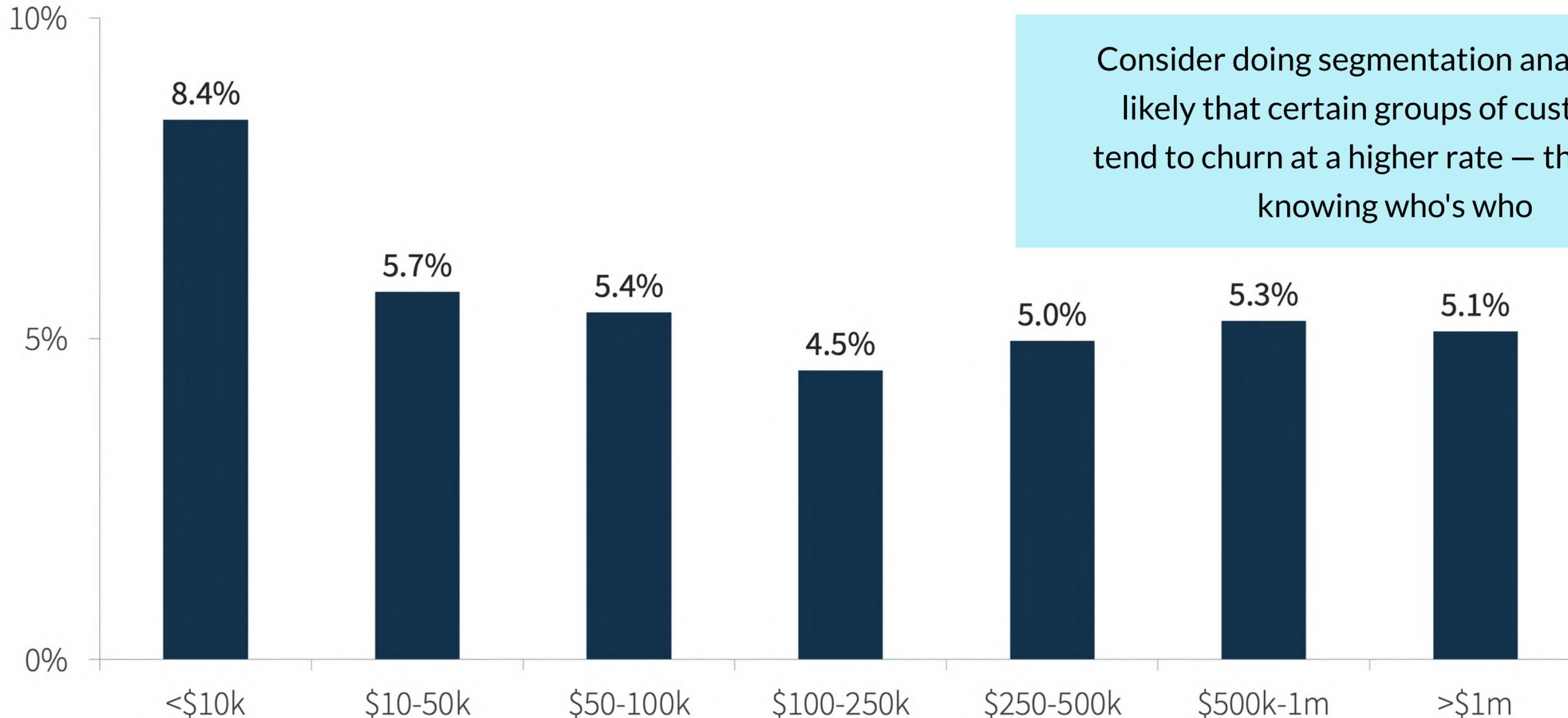
## Monthly Gross MRR Churn Rate (%) by ARPA Bands



# Once companies find product-market fit, monthly gross MRR churn for the median company settles around 5%

## Monthly Gross MRR Churn Rate (%) by MRR Bands

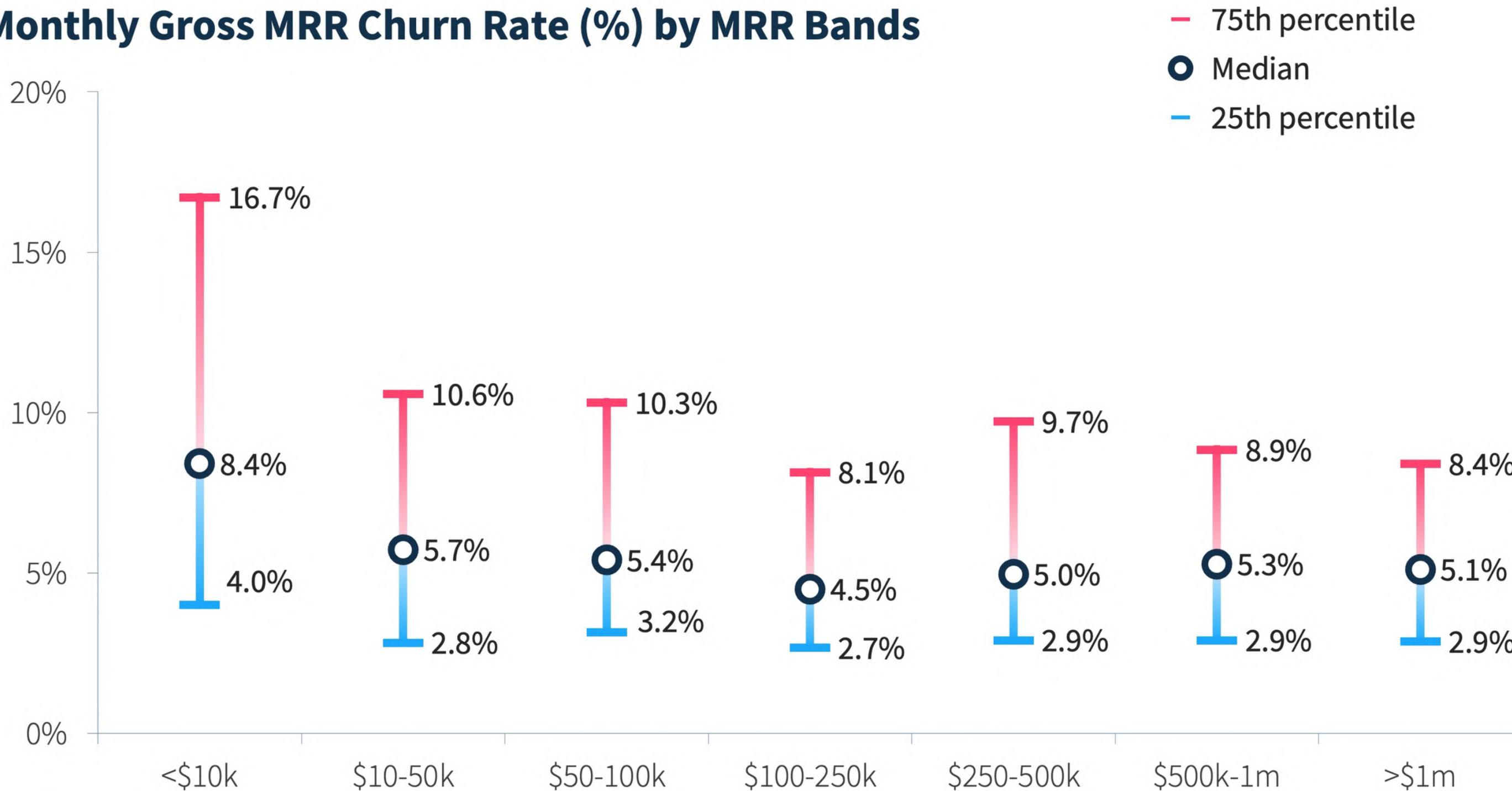
■ Median



Consider doing segmentation analysis, it's likely that certain groups of customers tend to churn at a higher rate – the trick is knowing who's who

# Companies should target a gross MRR churn rate of <2.5% per month

## Monthly Gross MRR Churn Rate (%) by MRR Bands



Chapter

04

**Net MRR Churn  
Rate Benchmarks**

# How are gross and net MRR churn rate different? How is net MRR churn rate calculated?

- **How are gross and net MRR churn rate different?** Gross MRR churn rate only takes into account the MRR lost from existing subscribers, while net MRR churn rate takes into account both MRR lost and gained. As such, Net MRR churn gives you a more holistic picture of the state of your existing subscriber base.

- **Net MRR Churn Rate** = 
$$\frac{(\text{Sum of Churn \& Contraction MRR}) - (\text{Sum of Expansion \& Reactivation MRR})}{\text{MRR at start of period}}$$

## How can churn be negative?

Looking at churn rate formulas in more detail, we can learn two things:

- 1. By definition, Gross MRR churn would always be higher than Net MRR Churn.** This is because Gross MRR churn only takes into account the MRR lost, while Net MRR churn also takes into account MRR gained.
- 2. Net MRR churn can be negative.** If the MRR gained from existing customers (Expansion + Reactivation) exceeds the MRR lost (Churn + Contraction), the net MRR churn rate will be negative.

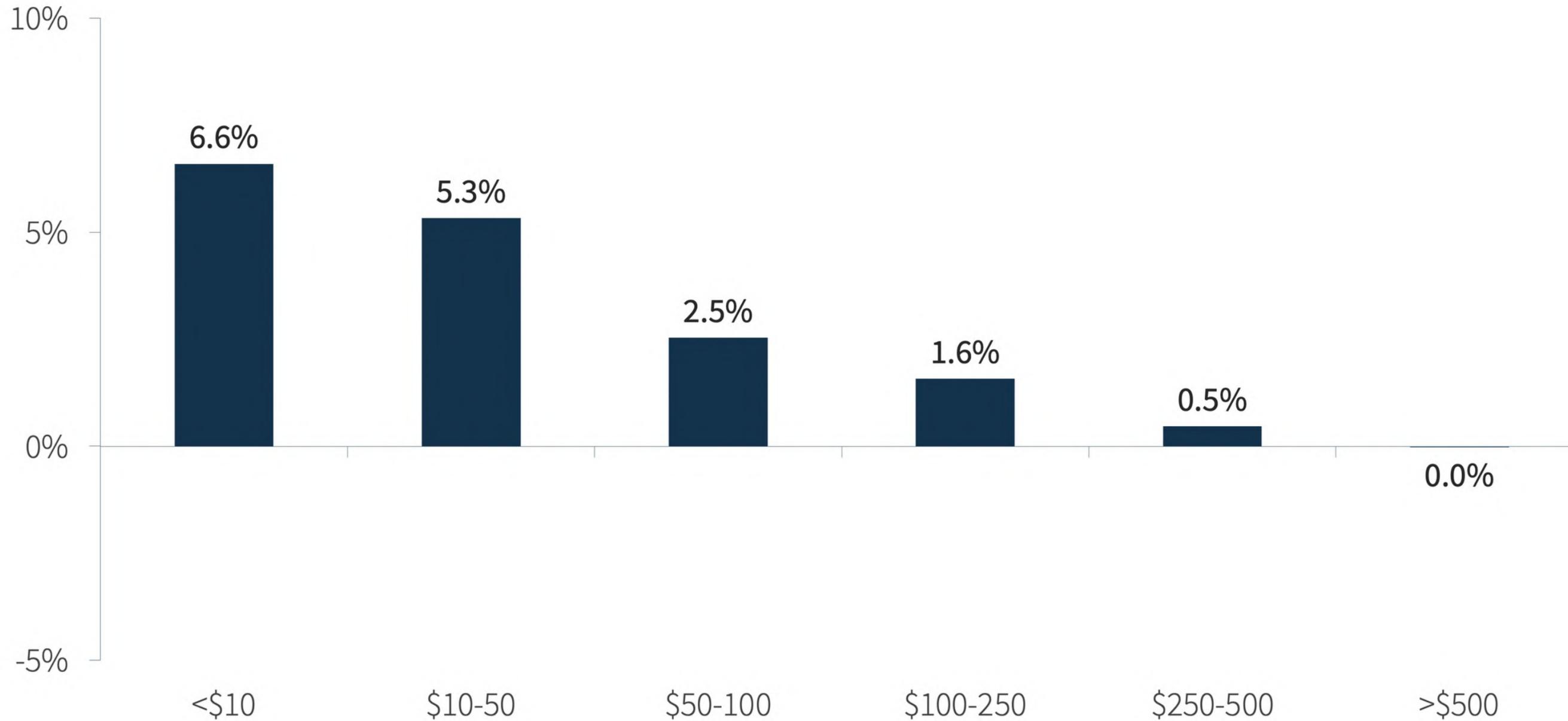
## Why is negative net MRR churn rate called SaaS nirvana?

- Negative net MRR churn is akin to SaaS nirvana.
- This is because with **each passing month, your existing subscriber base becomes more and more valuable.**
- In a sense, your business can grow organically as you don't need to spend any money on acquiring new customers.

# Higher ARPA correlates to lower net MRR churn rate

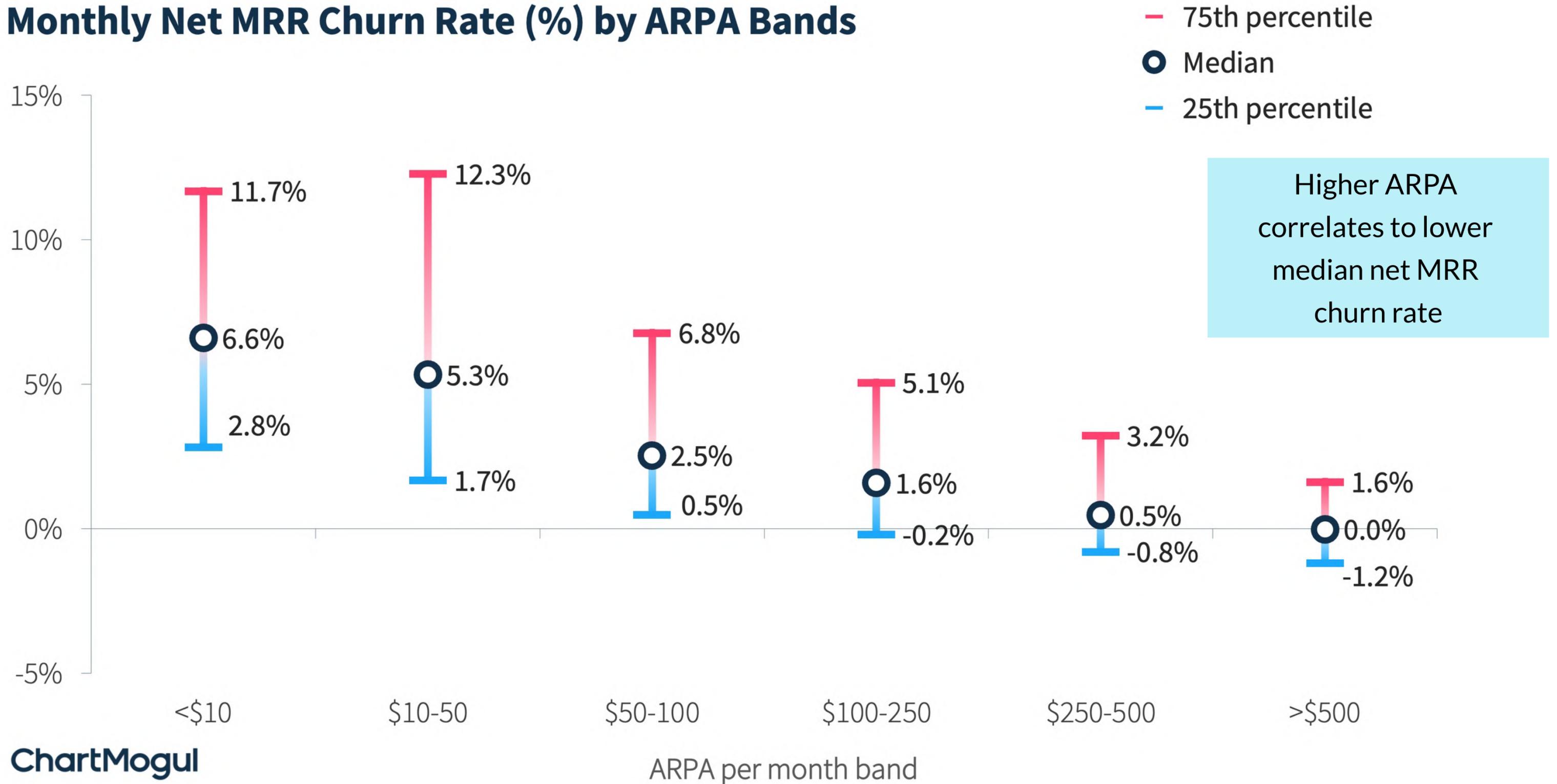
## Monthly Net MRR Churn Rate (%) by ARPA Bands

■ Median



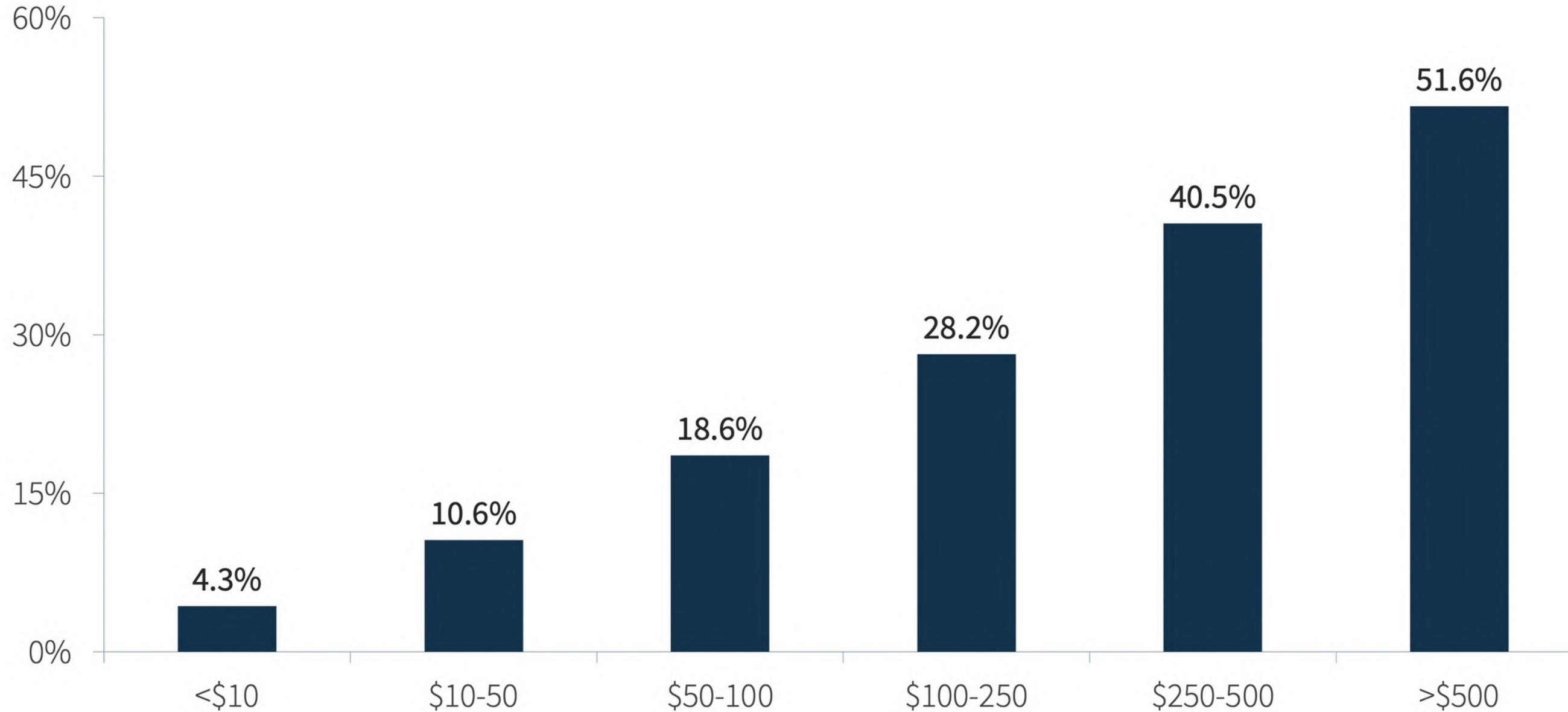
# The median company with ARPA >\$500 has negative net MRR churn rate

## Monthly Net MRR Churn Rate (%) by ARPA Bands



# As ARPA increases, the proportion of companies that have a negative net MRR churn rate increases

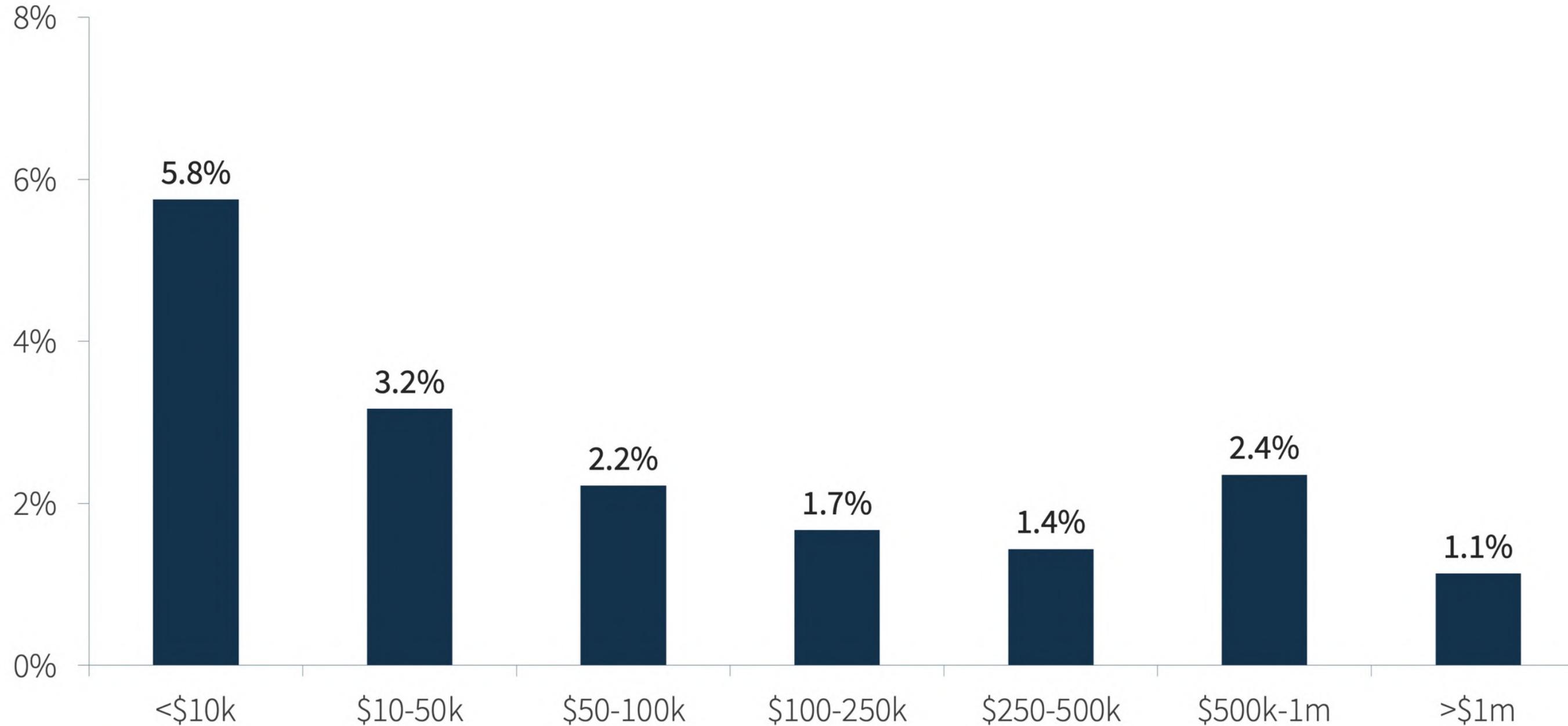
## % of Companies that have Negative Net MRR Churn Rate (%) by ARPA Bands



# As companies mature, the net MRR churn rate usually declines

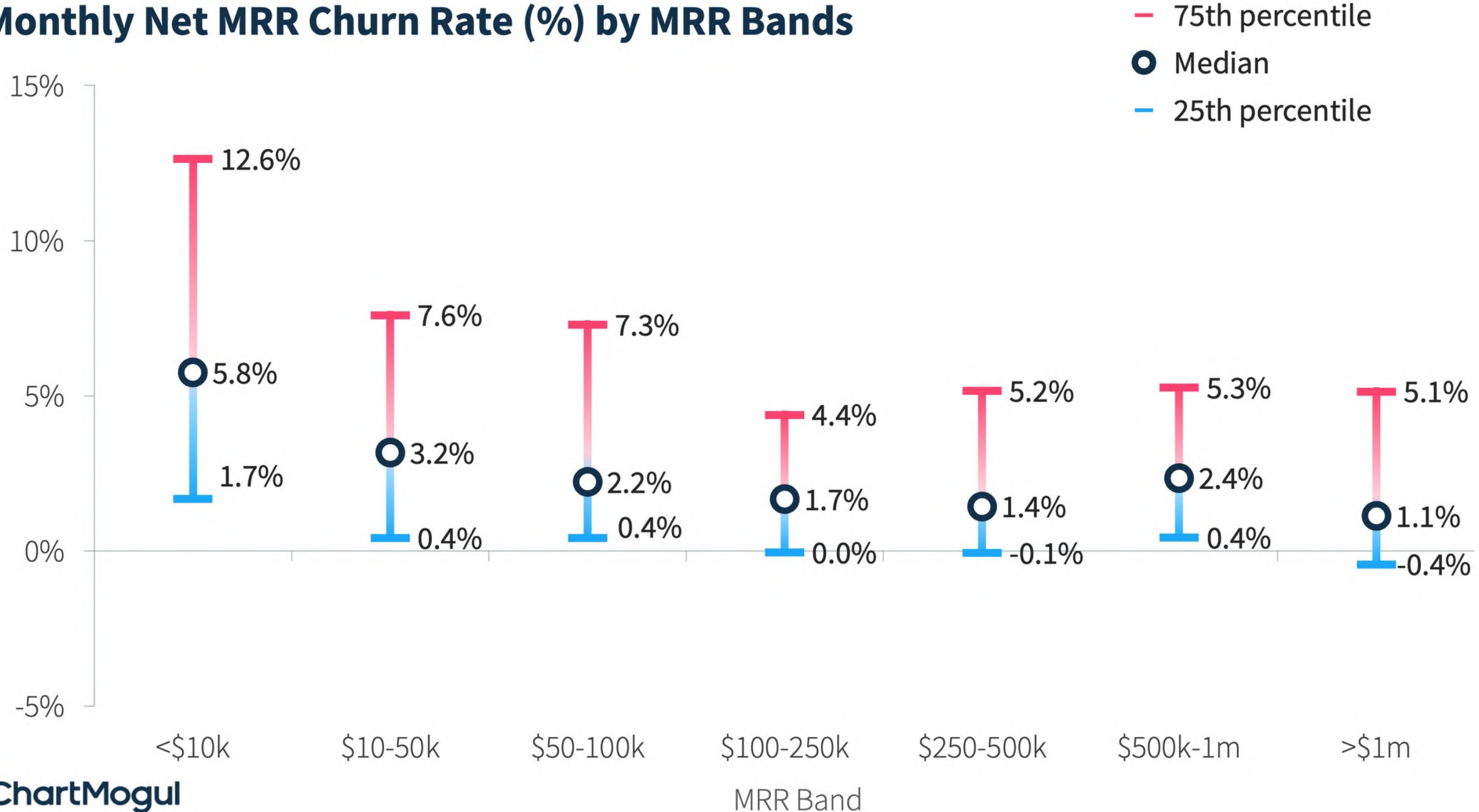
## Monthly Net MRR Churn Rate (%) by MRR Bands

■ Median



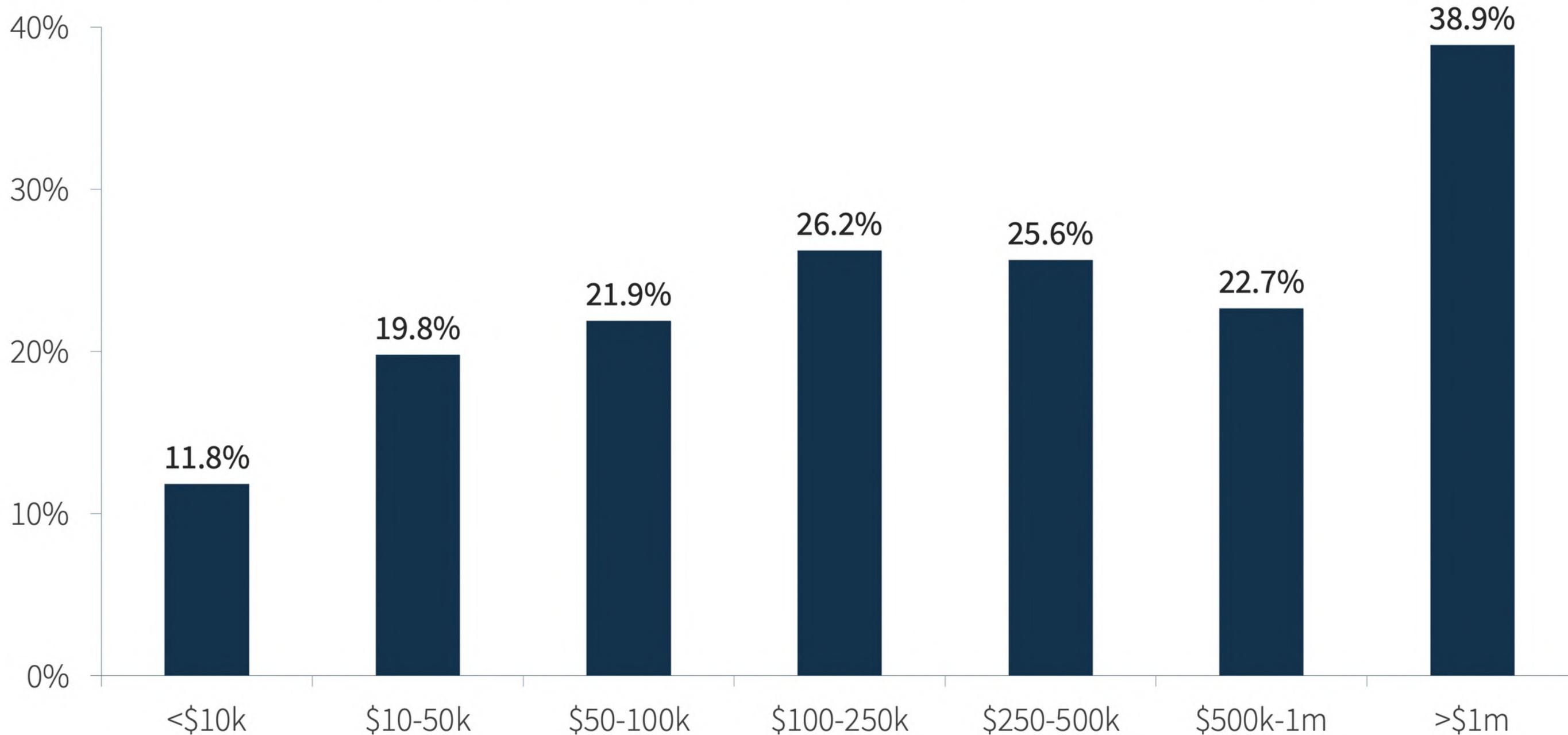
# Companies at any MRR should target a negative net MRR churn rate

## Monthly Net MRR Churn Rate (%) by MRR Bands



# Nearly a quarter of companies at any MRR stage have net negative churn

## % of Companies that have Negative Net MRR Churn Rate (%) by MRR Bands



Chapter

05

**Benchmarking MRR  
Movements**

# Understanding MRR Components

MRR movements can be classified into the following high level components:

## 1. MRR Added Components

- New Business
- Expansion
- Reactivation

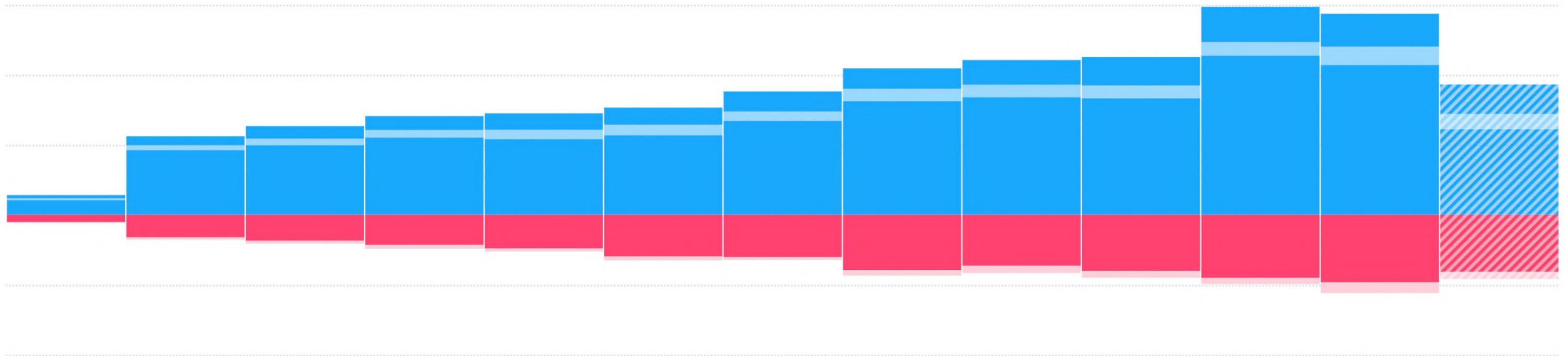
## 2. MRR Lost Components

- Contraction
- Churn

# Understanding MRR Components

Below is a screenshot of the MRR movements chart from ChartMogul. **To grow, you need to add more MRR than you lose** i.e. the blue bars (MRR added) should add up to more than the pink bars (MRR lost).

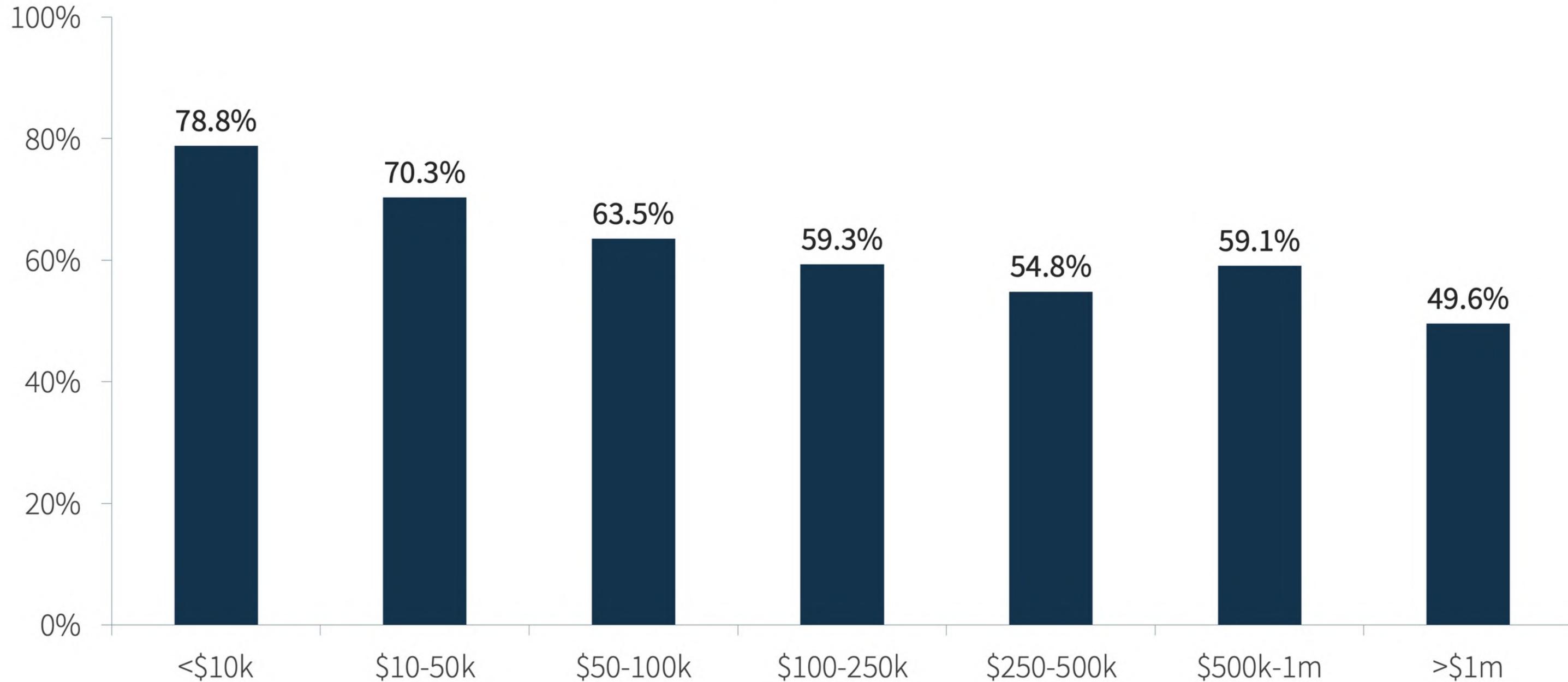
MRR Movements



# New Business MRR makes up for the largest share of MRR added

## New Business MRR as a % of MRR Added by MRR Bands

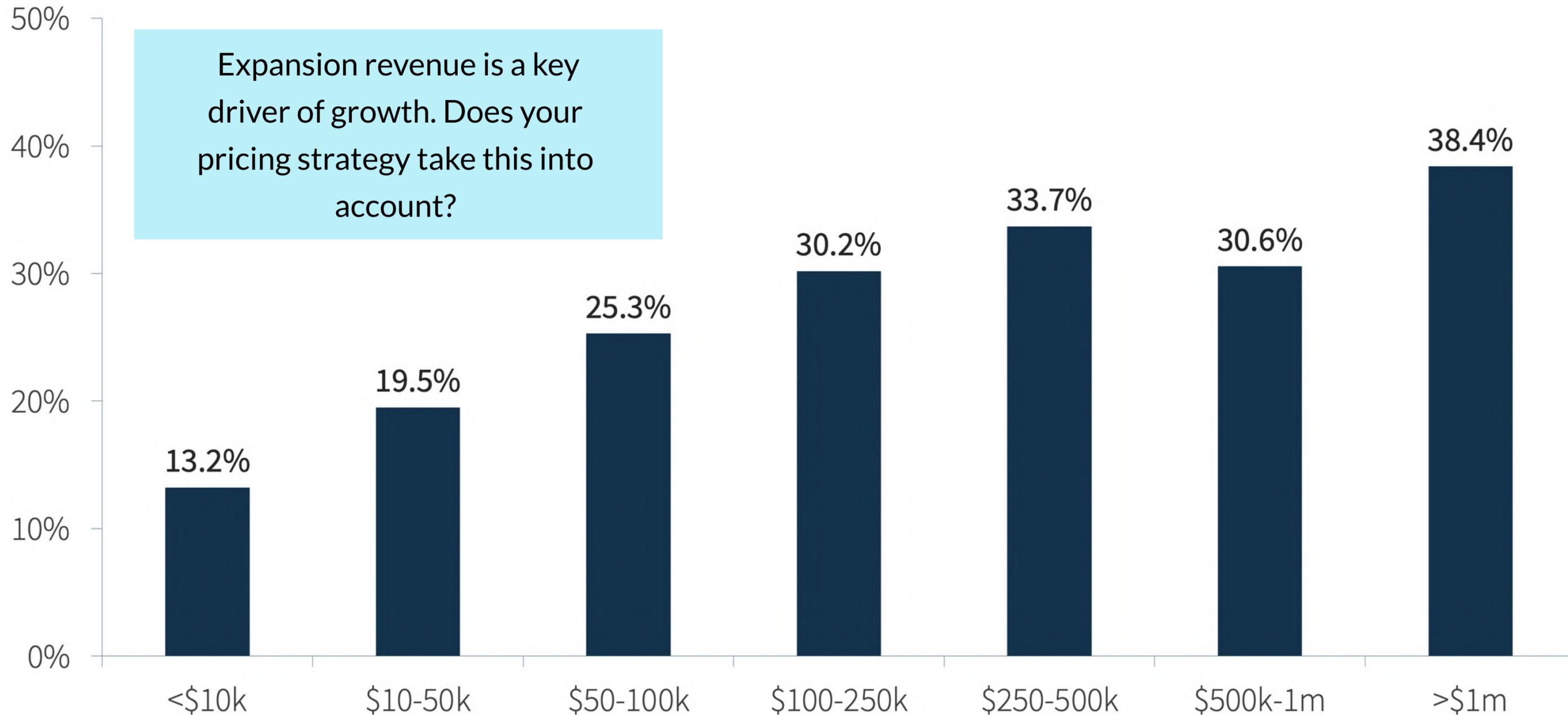
■ MEAN



# Expansion becomes important as companies scale

## Expansion MRR as a % of MRR Added by MRR Bands

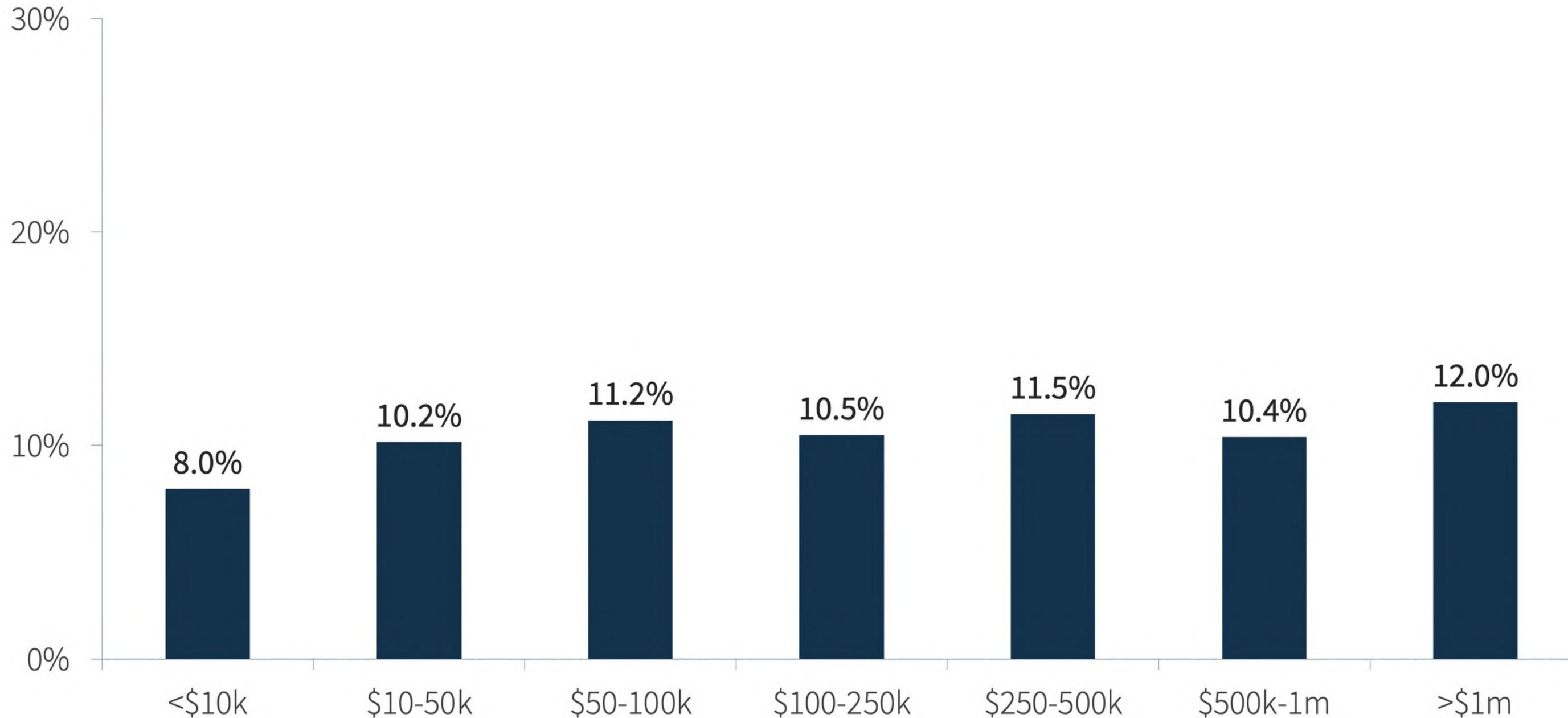
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# Reactivation hovers around 8–12% of MRR added for most SaaS companies

## Reactivation MRR as a % of MRR Added by MRR Bands

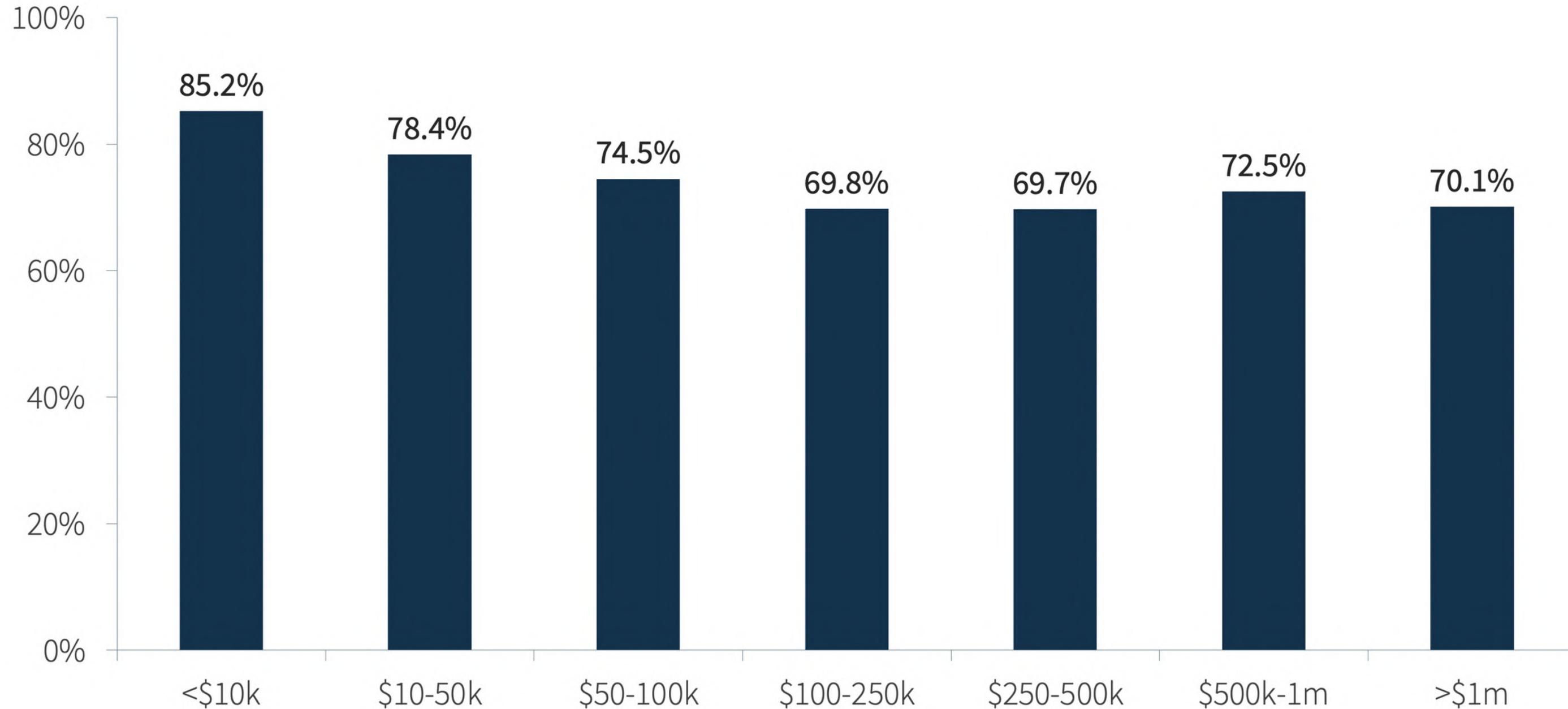
■ MEAN



# Churn is the largest share of MRR lost (>70%)

## Churn MRR as a % of MRR Lost by MRR Bands

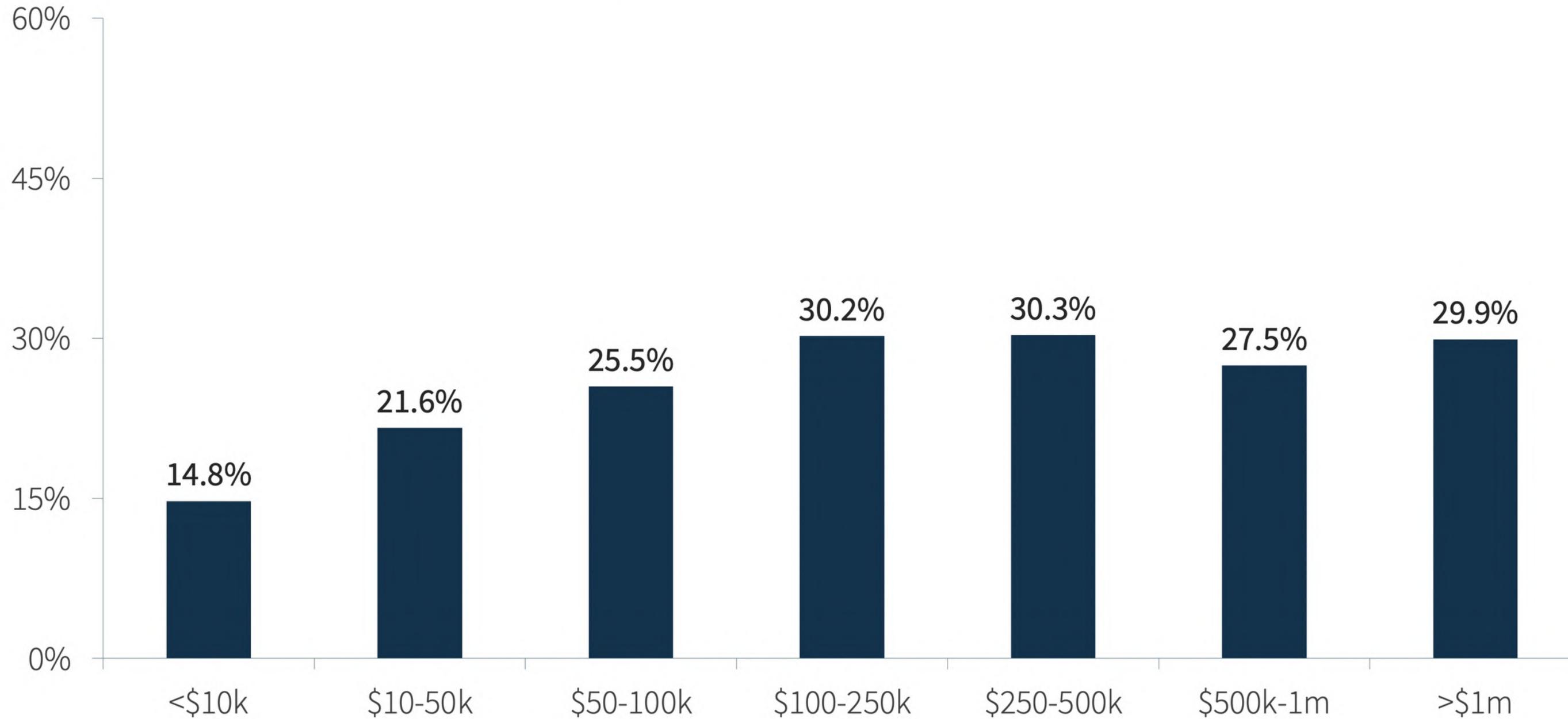
■ MEAN



# On average, contraction accounts for 20–30% of revenue lost

## Contraction MRR as a % of MRR Lost by MRR Bands

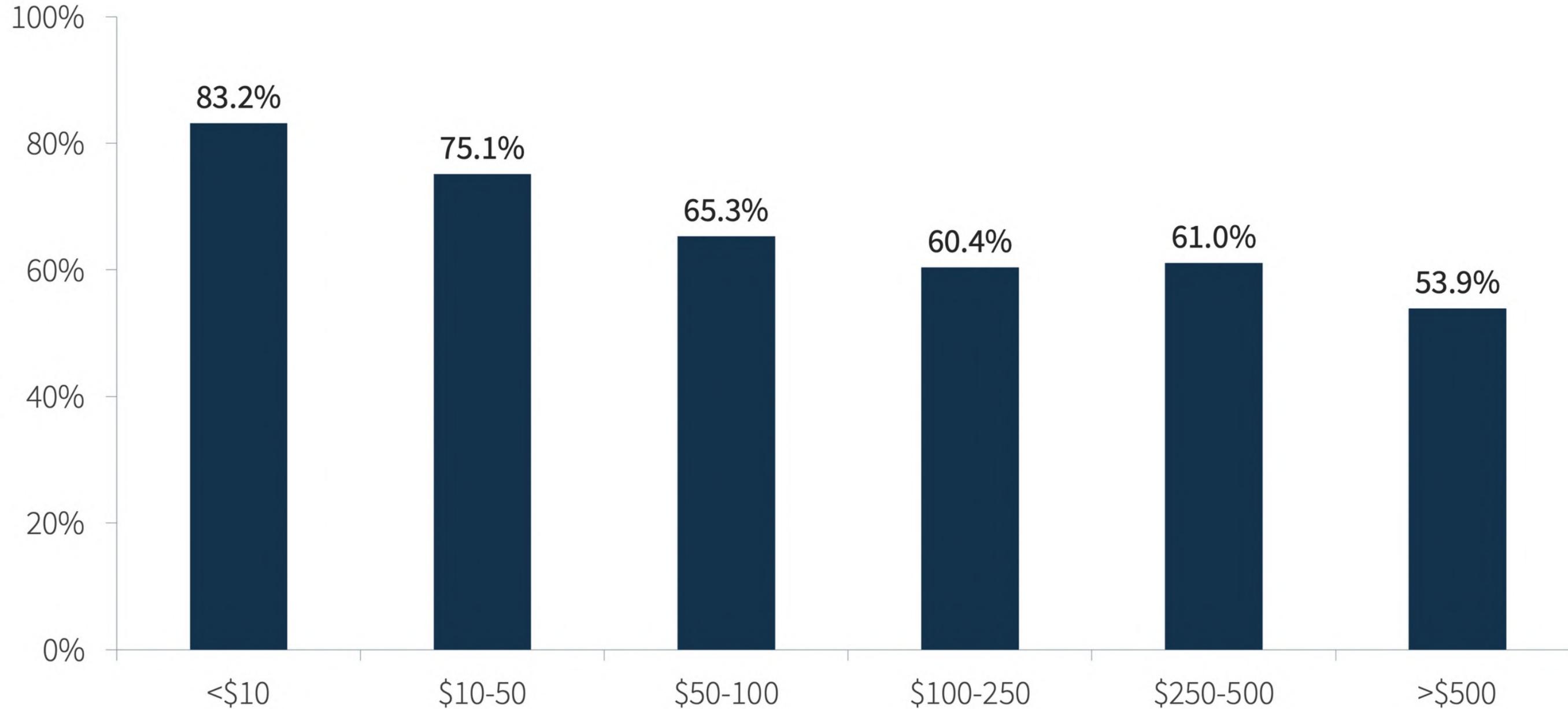
■ MEAN



# By ARPA, new business MRR makes up the largest share of MRR added

## New Business MRR as a % of MRR Added by ARPA Bands

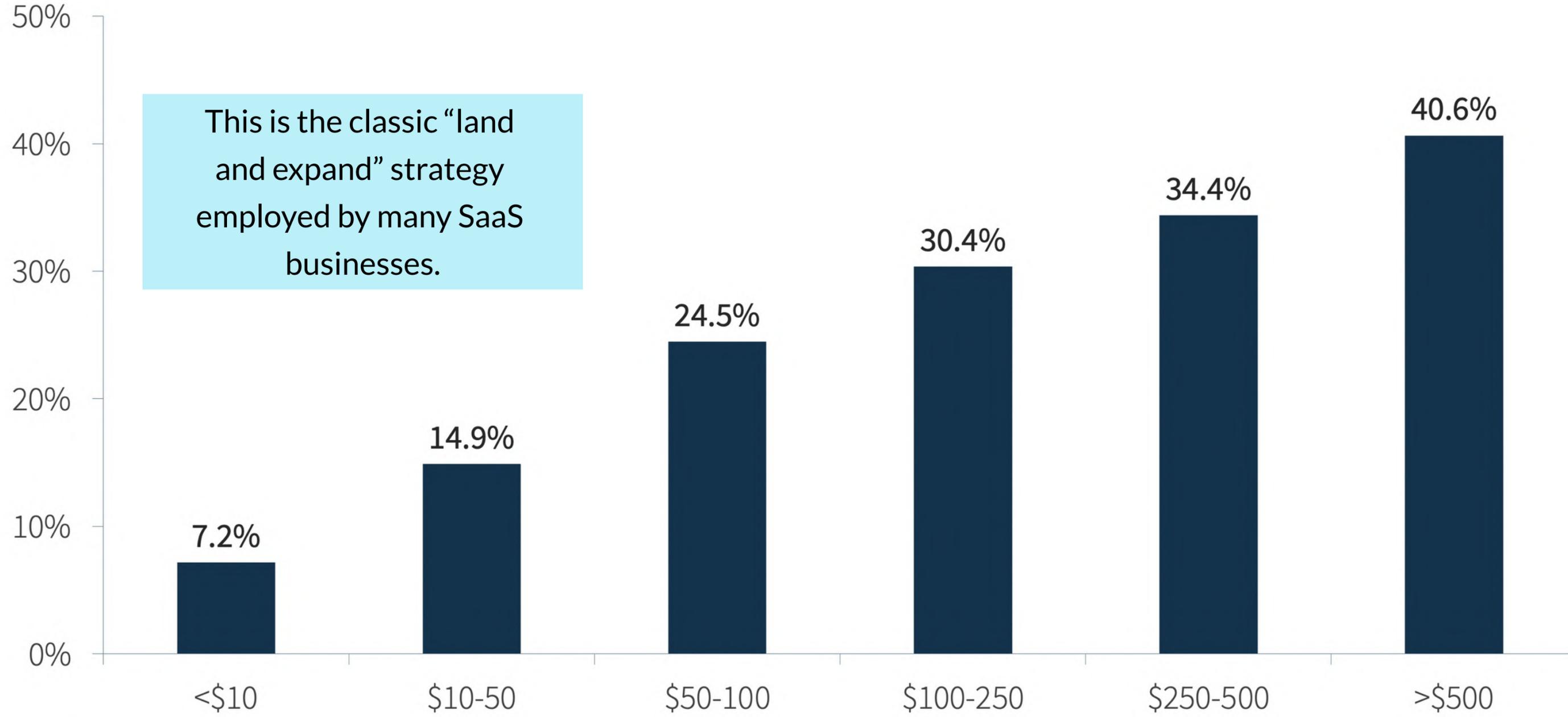
■ MEAN



# Expansion is the key to growth at higher ARPA's

## Expansion MRR as a % of MRR Added by ARPA Bands

■ MEAN

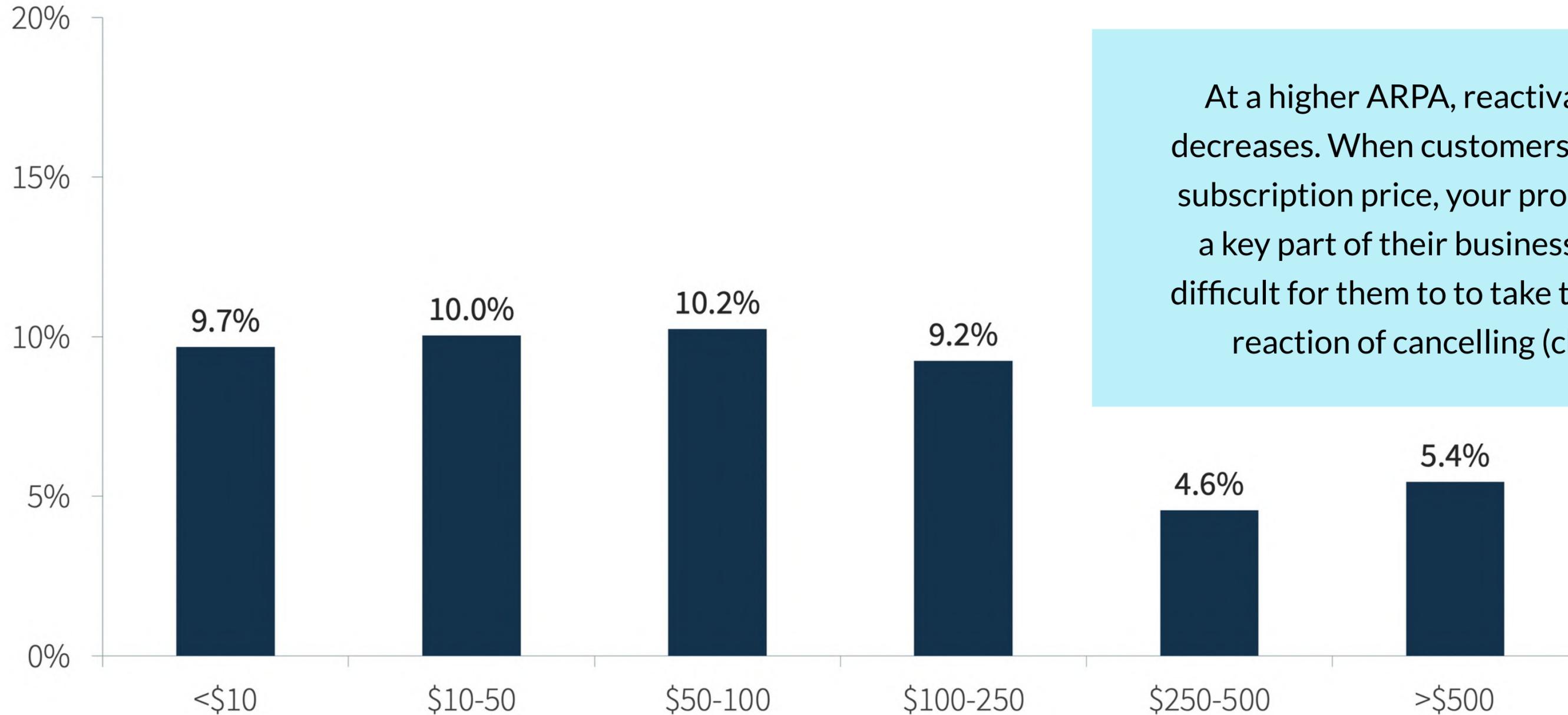


This is the classic “land and expand” strategy employed by many SaaS businesses.

# Reactivation MRR makes up approximately 5–10% of MRR added

## Reactivation MRR as a % of MRR Added by ARPA Bands

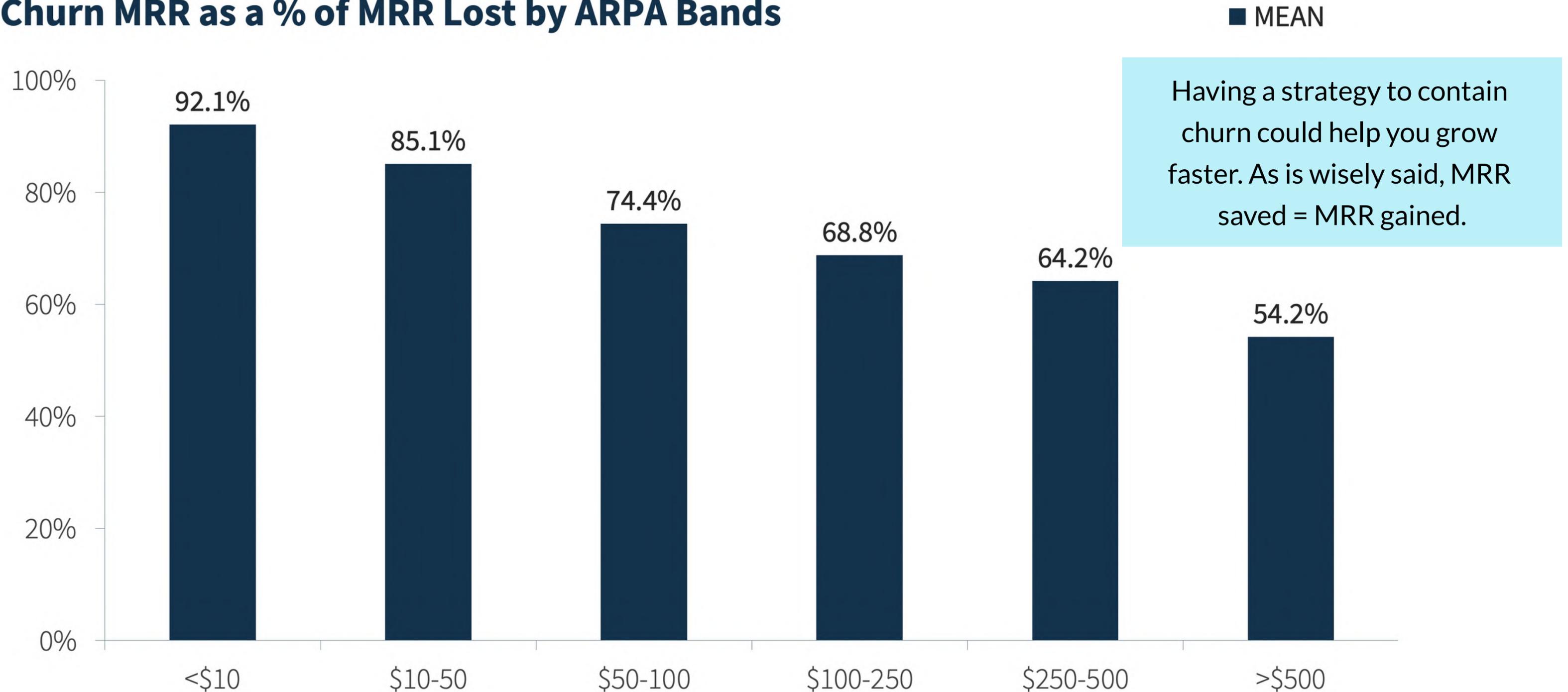
■ MEAN



At a higher ARPA, reactivation MRR decreases. When customers pay a higher subscription price, your product is likely a key part of their business, making it difficult for them to take the knee-jerk reaction of cancelling (churning).

# At lower ARPAs, churn is the main contributor to MRR lost

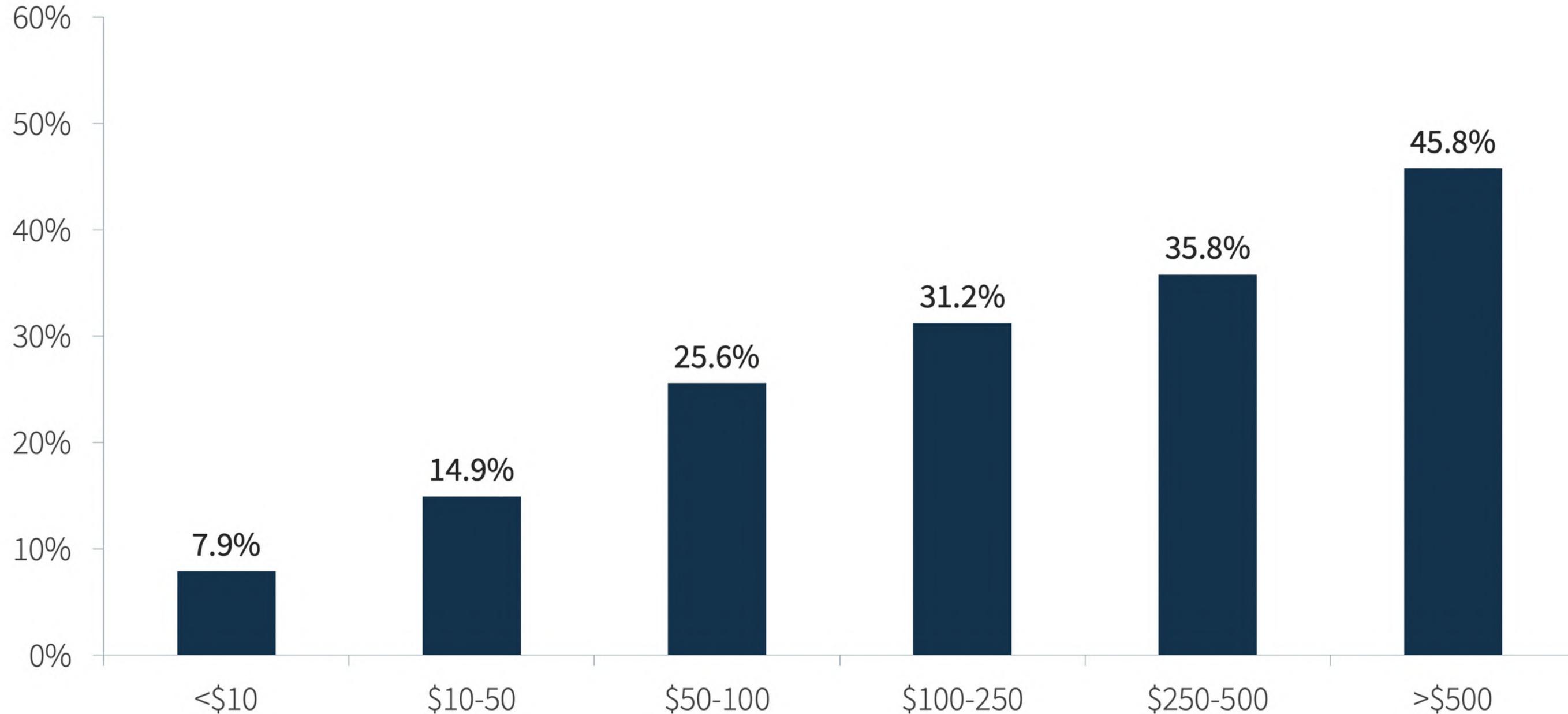
## Churn MRR as a % of MRR Lost by ARPA Bands



# At higher ARPAs, contraction makes up for 30–45% of MRR lost

## Contraction MRR as a % of MRR Lost by ARPA Bands

■ MEAN



Chapter

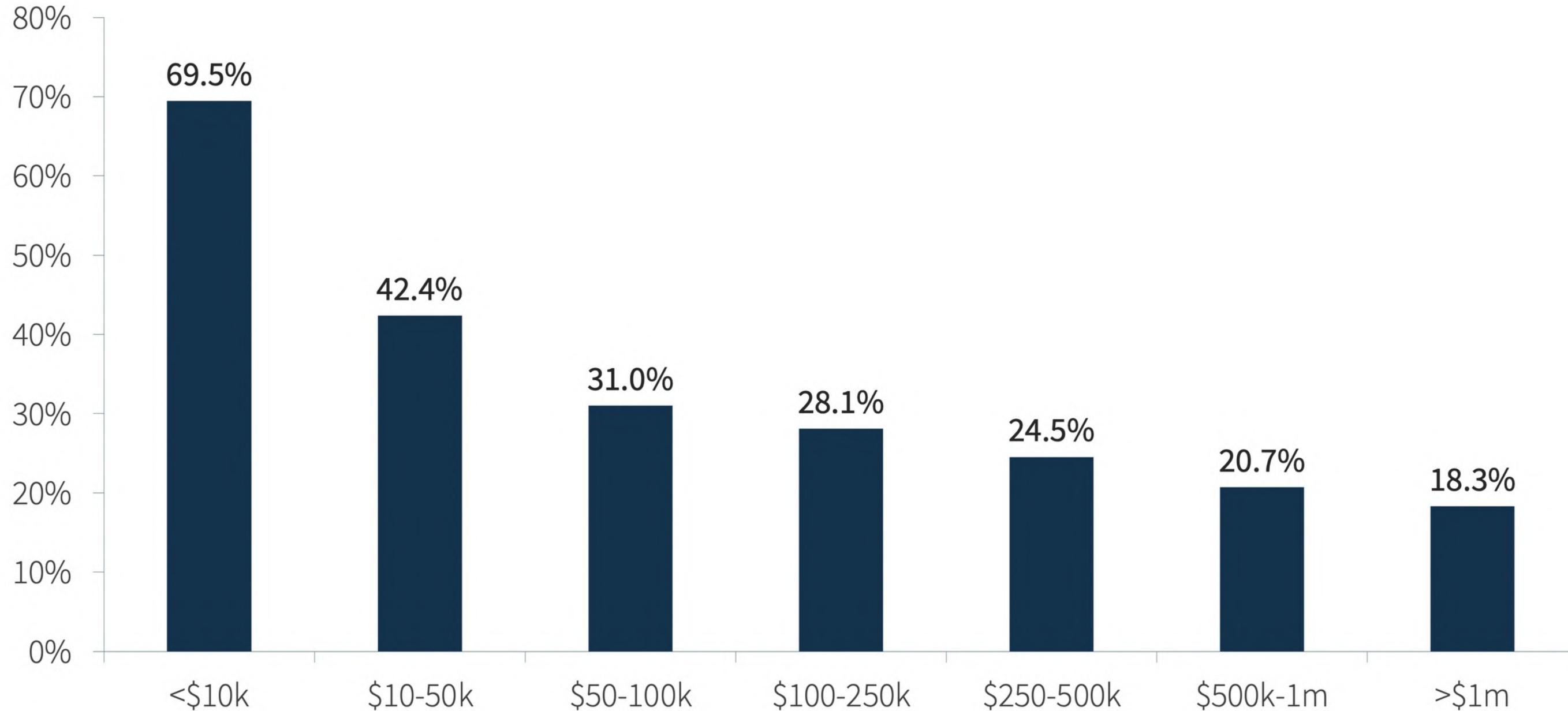
06

**Growth Rate  
Benchmarks**

**Growth is faster in the early stages. As companies mature, the median growth rate slows down.**

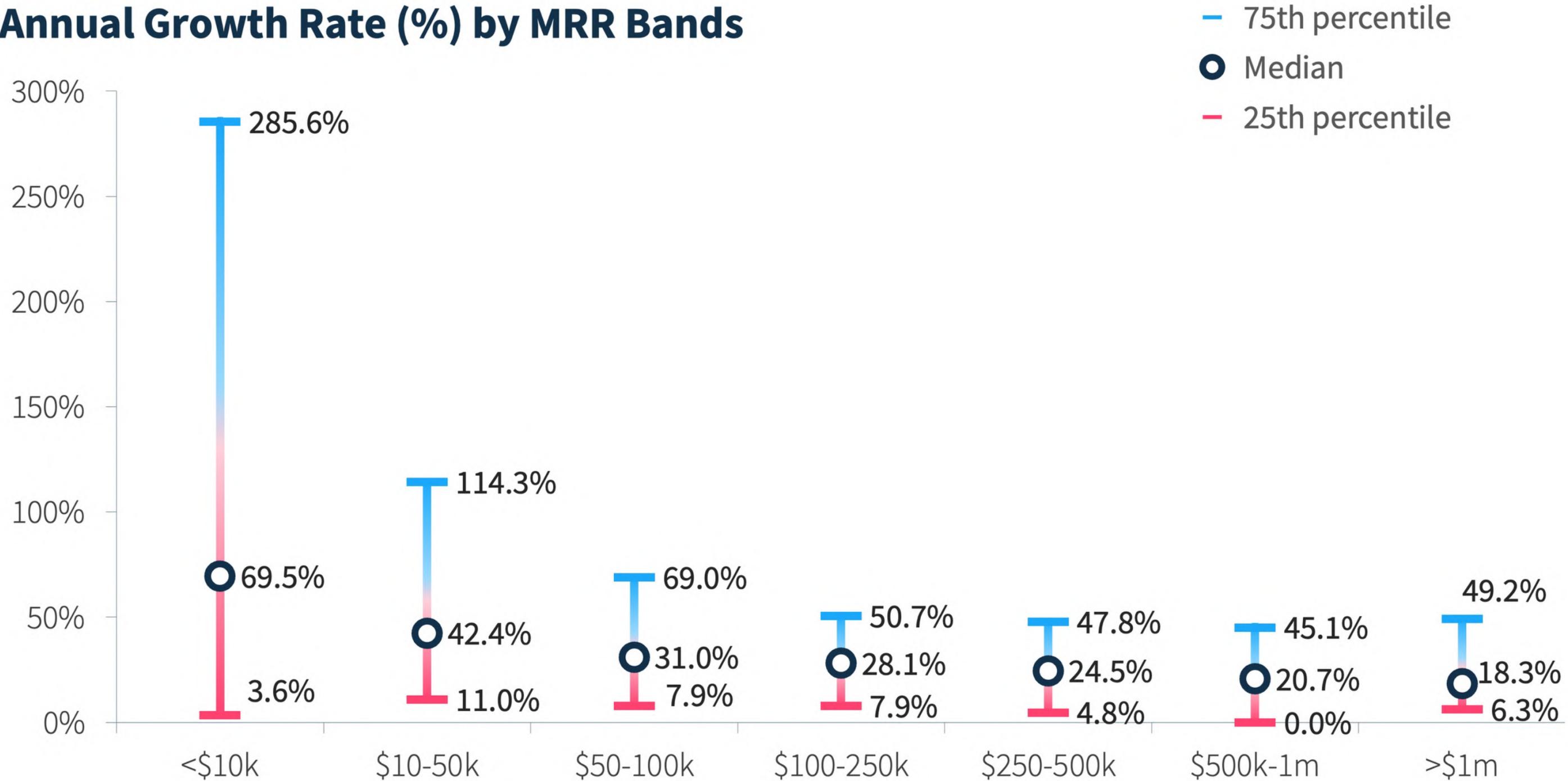
### Annual Growth Rate (%) by MRR Bands

■ Median



# The fastest growing companies continue to grow at >40–50% a year

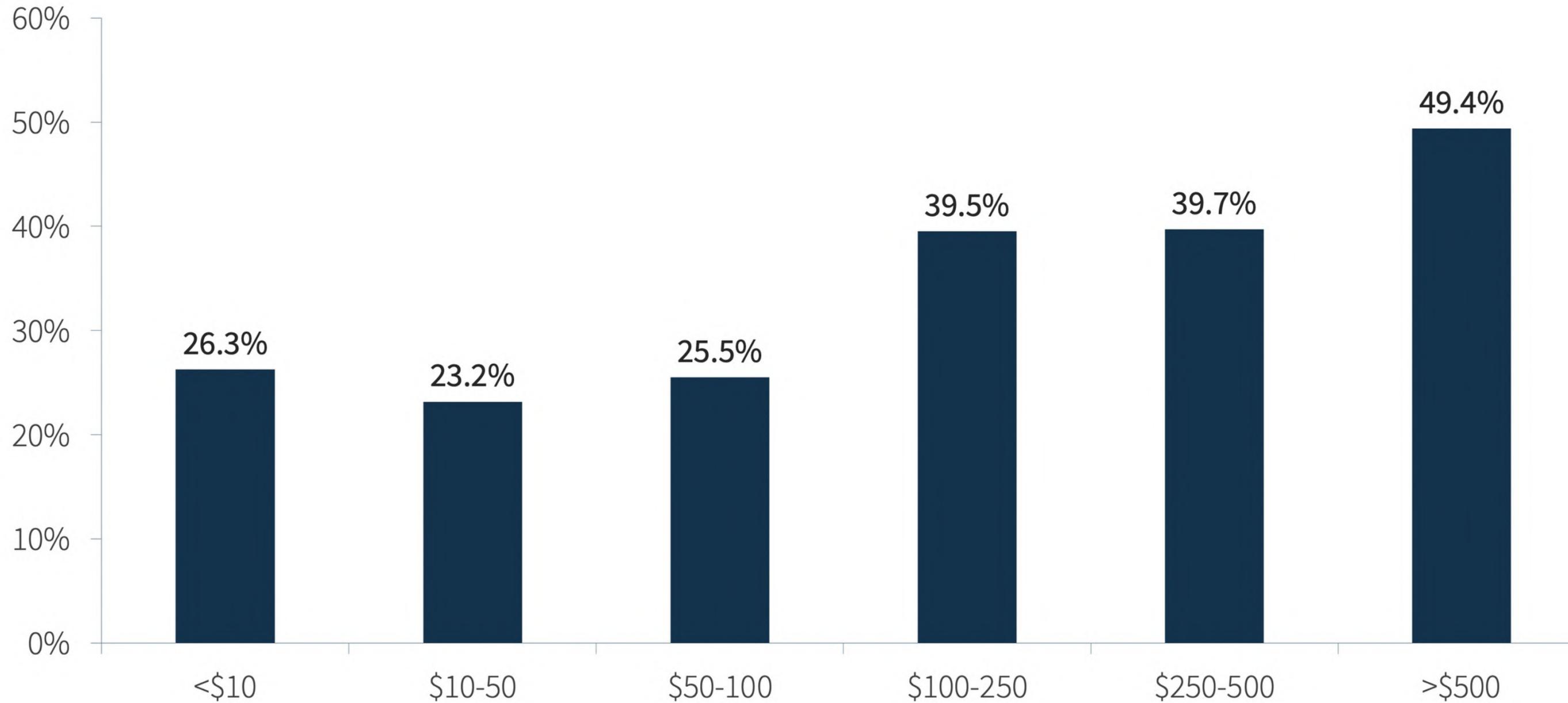
## Annual Growth Rate (%) by MRR Bands



# Companies with a higher ARPA tend to grow almost 1.5–2x faster

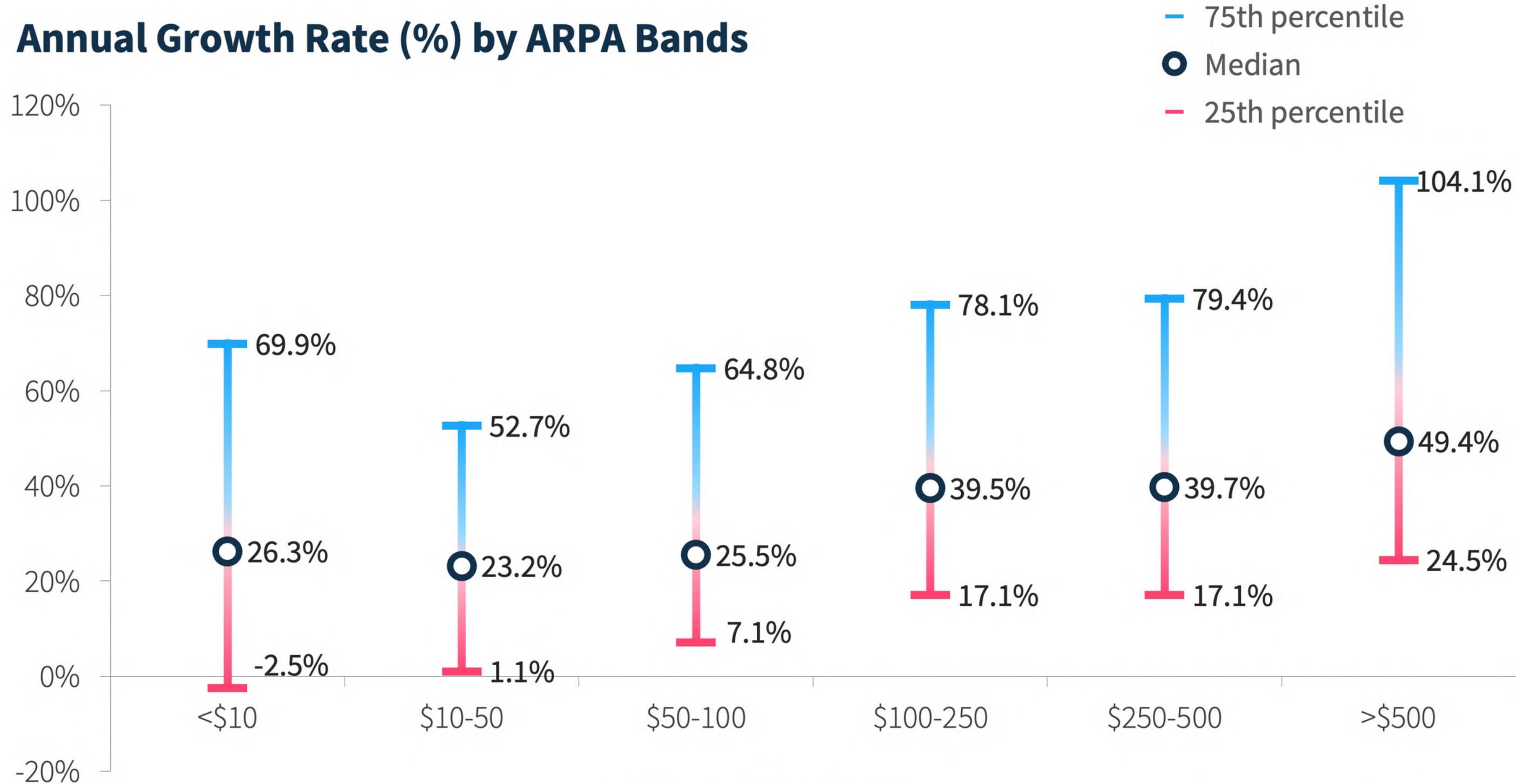
## Annual Growth Rate (%) by ARPA Bands

■ Median



# Fastest growing companies at any ARPA outgrow the average ones by ~2x

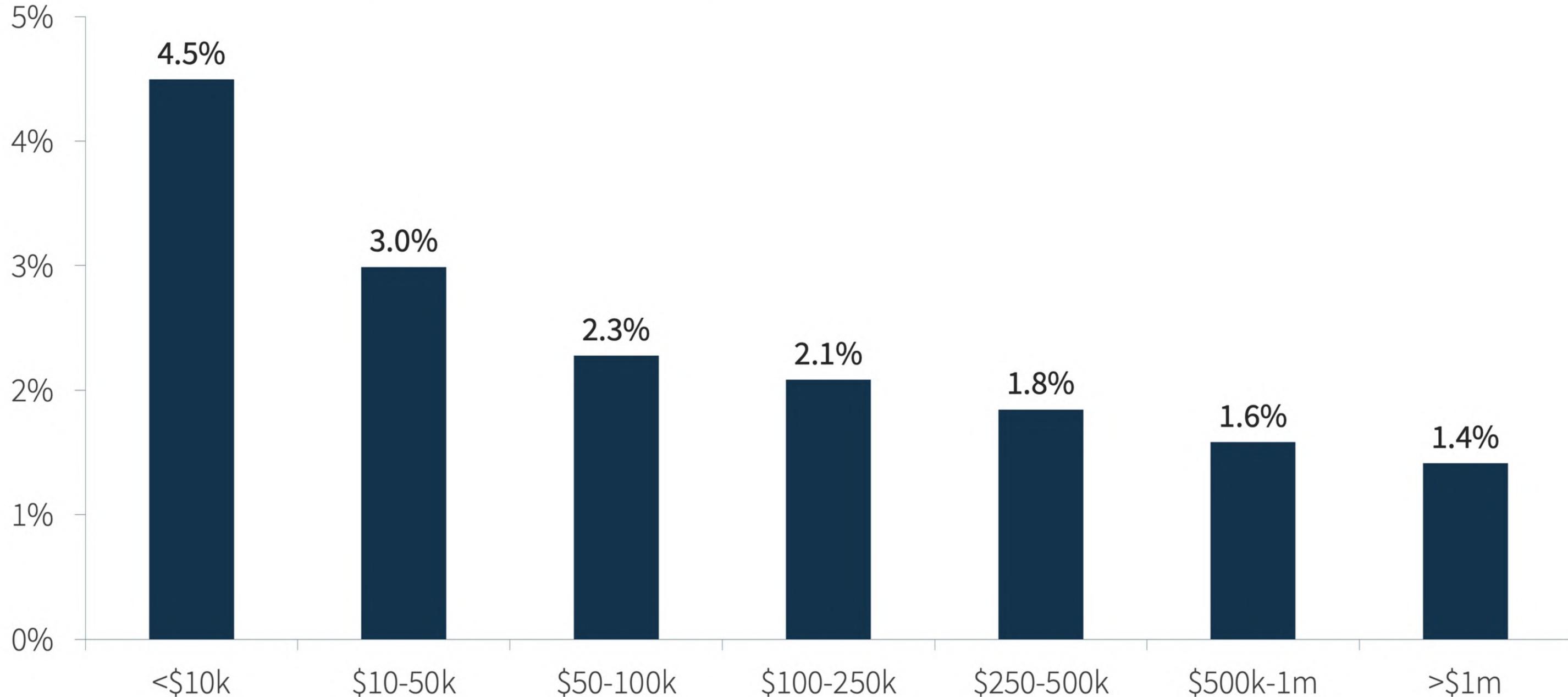
## Annual Growth Rate (%) by ARPA Bands



# Median monthly growth rate declines as companies mature

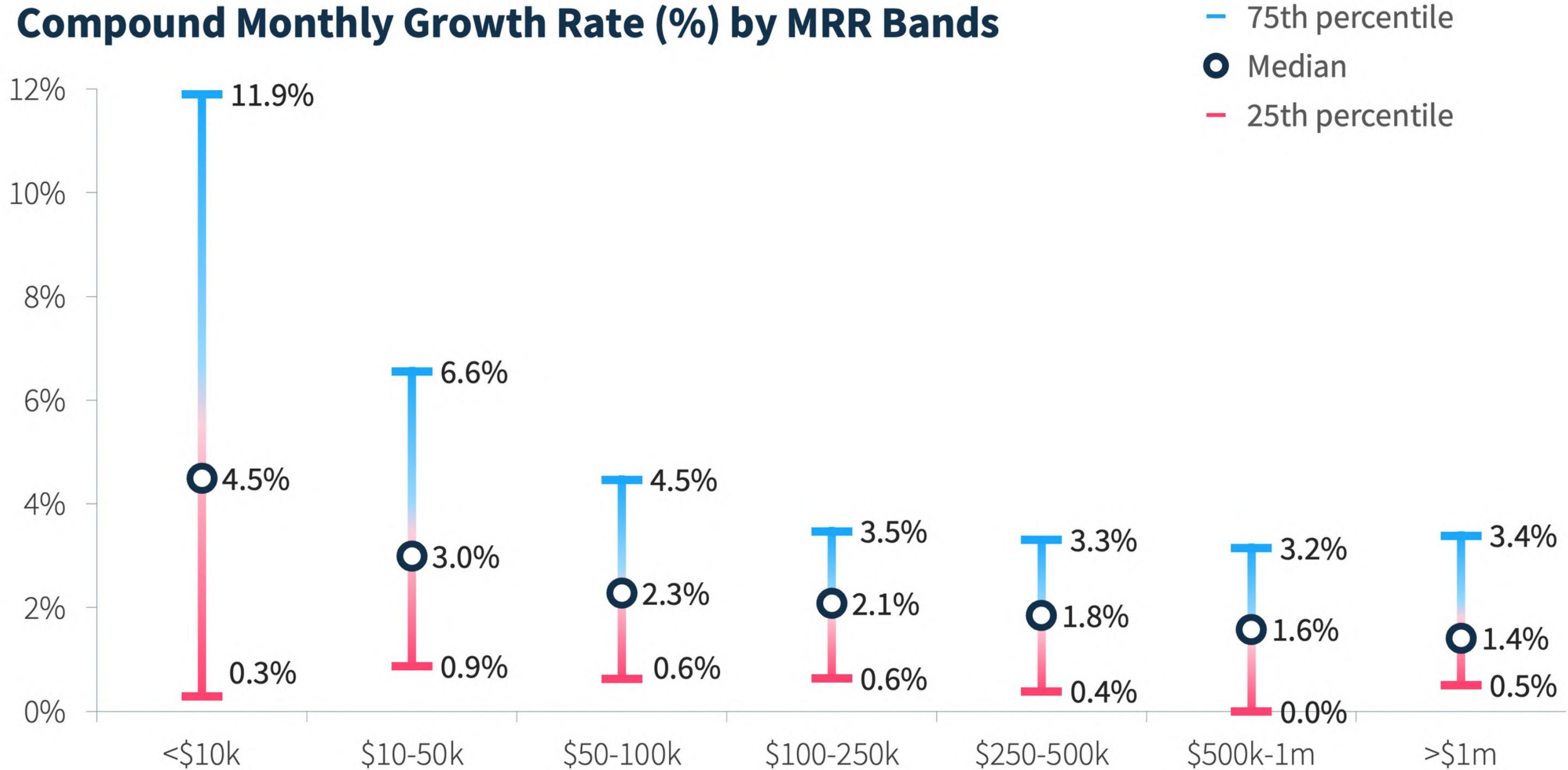
## Compound Monthly Growth Rate (%) by MRR Bands

■ Median



# Fast growing companies outgrow average ones by 1.5–2.5x a month

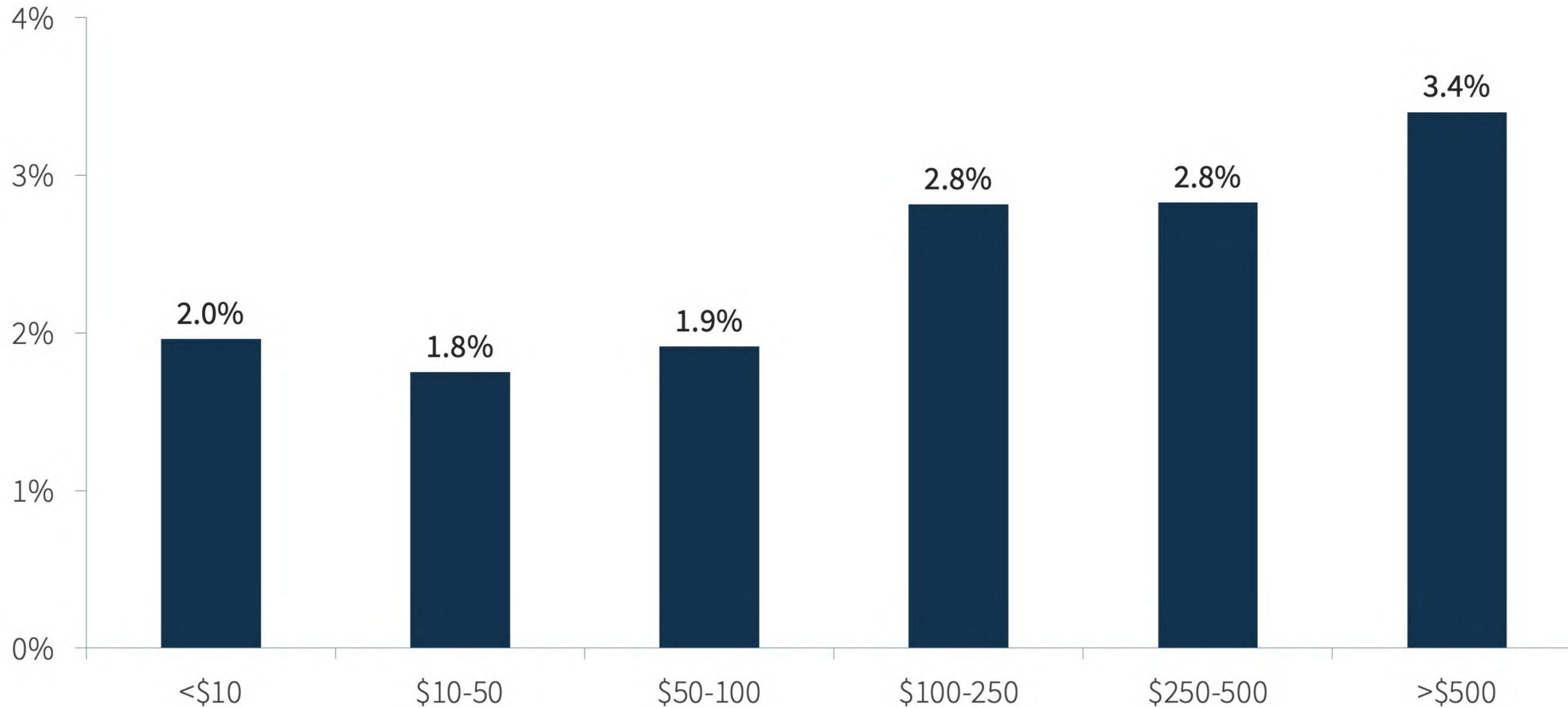
## Compound Monthly Growth Rate (%) by MRR Bands



# Companies with a higher ARPA tend to grow faster

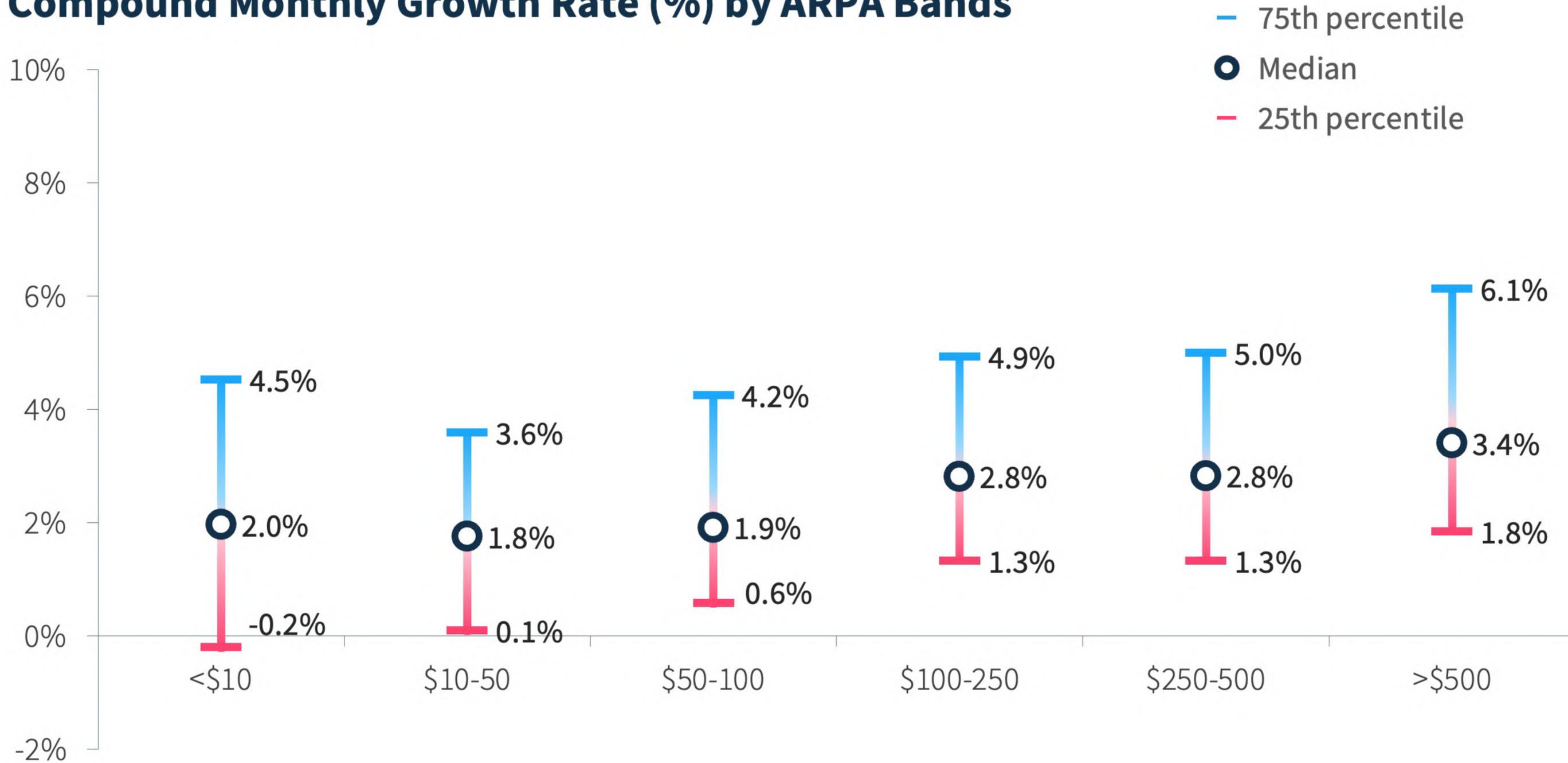
## Compound Monthly Growth Rate (%) by ARPA Bands

■ Median



# The fastest growing companies at any ARPA grow at ~4–5% per month

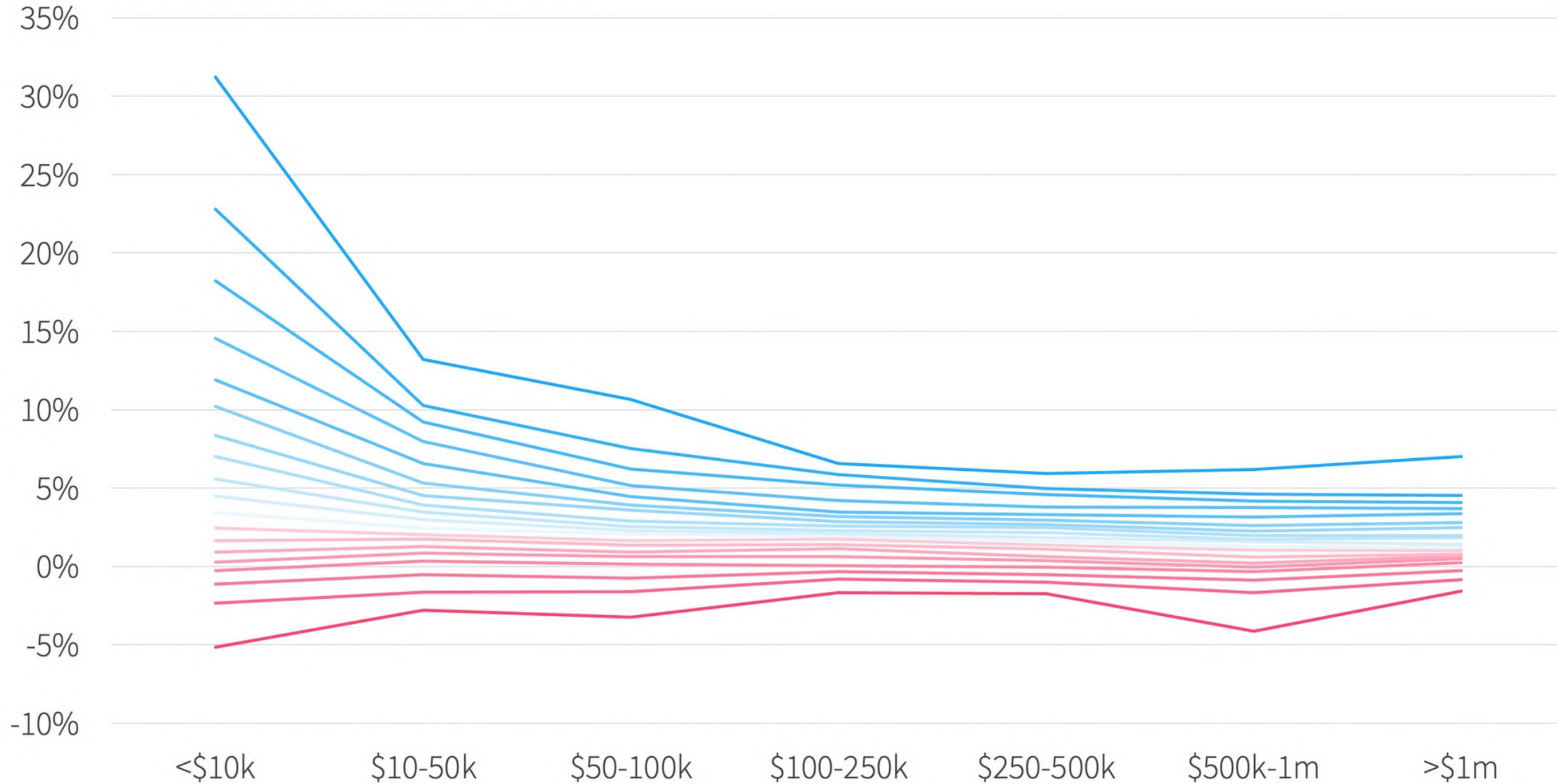
## Compound Monthly Growth Rate (%) by ARPA Bands



# By MRR, as companies mature, dispersion in growth narrows

## Compound Monthly Growth Rate (%) by MRR band

Every 5th percentile (95th to 5th going down)



# VCs often focus on funding companies within the 90–95th percentile of growth rate who will double or triple revenue each year

## Compound Monthly Growth Rate (%) by MRR Band

Percentile	<\$10k	\$10-50k	\$50-100k	\$100-250k	\$250-500k	\$500k-1m	>\$1m
5	-5.2%	-2.8%	-3.2%	-1.7%	-1.7%	-4.1%	-1.6%
10	-2.3%	-1.6%	-1.6%	-0.8%	-1.0%	-1.7%	-0.9%
15	-1.1%	-0.5%	-0.8%	-0.3%	-0.5%	-0.9%	-0.3%
20	-0.3%	0.4%	0.2%	0.1%	0.0%	-0.3%	0.3%
25	0.3%	0.9%	0.6%	0.6%	0.4%	0.0%	0.5%
30	0.9%	1.3%	0.9%	1.1%	0.6%	0.2%	0.7%
35	1.6%	1.7%	1.4%	1.4%	1.1%	0.6%	0.8%
40	2.5%	2.0%	1.6%	1.7%	1.4%	1.0%	1.0%
45	3.5%	2.5%	2.1%	1.9%	1.6%	1.3%	1.2%
50	4.5%	3.0%	2.3%	2.1%	1.8%	1.6%	1.4%
55	5.6%	3.5%	2.6%	2.3%	2.2%	1.7%	1.8%
60	7.0%	3.9%	2.9%	2.6%	2.5%	2.0%	2.0%
65	8.4%	4.5%	3.6%	2.9%	2.7%	2.3%	2.5%
70	10.2%	5.3%	3.9%	3.2%	3.0%	2.6%	2.8%
75	11.9%	6.6%	4.5%	3.5%	3.3%	3.2%	3.4%
80	14.5%	8.0%	5.2%	4.2%	3.8%	3.8%	3.7%
85	18.2%	9.2%	6.2%	5.2%	4.6%	4.2%	4.1%
90	22.8%	10.3%	7.5%	5.9%	5.0%	4.6%	4.5%
95	31.2%	13.2%	10.7%	6.6%	5.9%	6.2%	7.0%

Chapter

07

**Calculation  
Methodology**

# Calculation Methodology: Churn Benchmarks and MRR Movements

- To calculate the aggregates, we used anonymized and aggregated data from ChartMogul.
- Aggregates were calculated over a 3 month period (February – April 2022).
- For easier comparability, we used standard B2B churn formulas for all calculations.

## Calculation Methodology: Growth Benchmarks

- To calculate the aggregates, we used anonymized and aggregated data from ChartMogul.
- Aggregates were calculated over a 12 month range (May 2021 – April 2022).
- Companies who had less than 12 months of data were excluded.

Chapter

08

**About  
ChartMogul**

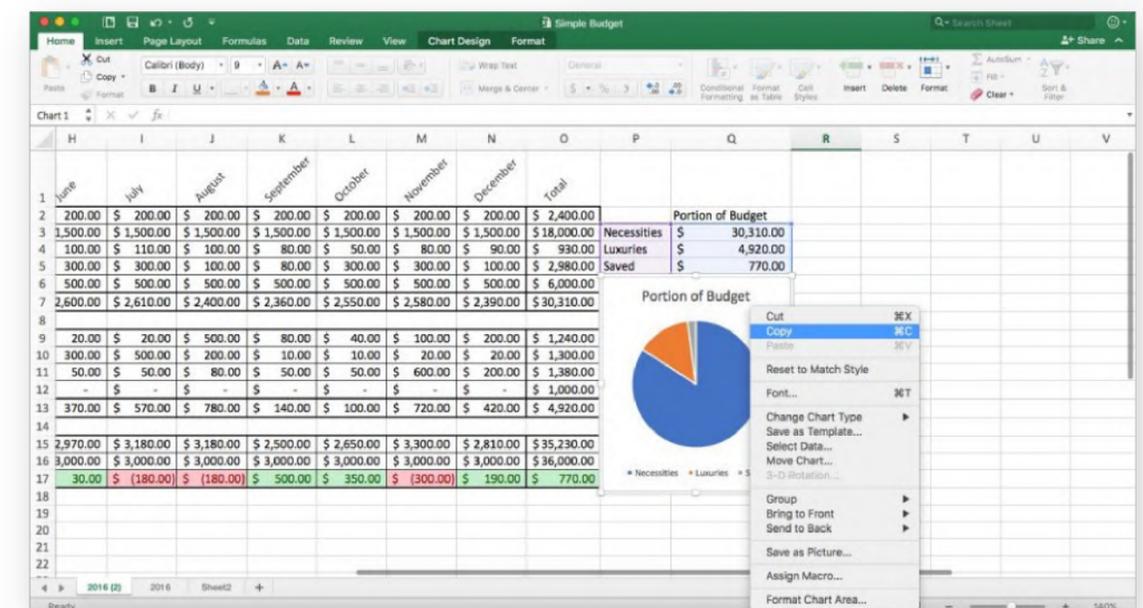
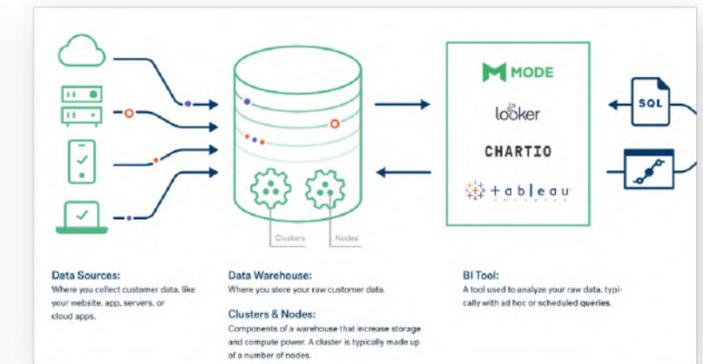
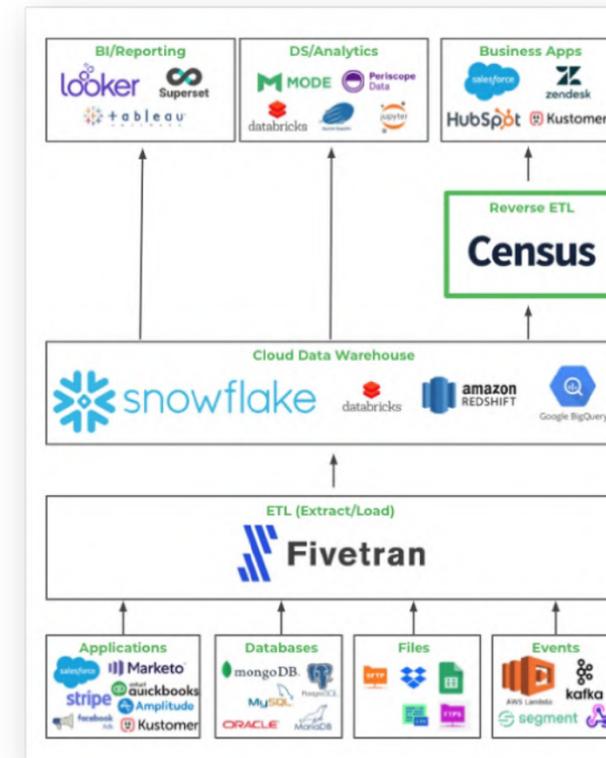
# Problem Statement

- Accurately calculating SaaS metrics is hard.
- Harnessing subscription data to inform decisions that lead to faster growth is even harder.



# The Old Way: Traditional BI/Data Stack or Spreadsheets

- Requires expert knowledge of how to analyze subscription revenue
- Complex, costly, and time intensive
- Requires ongoing maintenance from engineers and data team
- Never real-time
- Only a few skilled team members are able run their own analyses
- Hidden costs related to people-hours and distraction from core operations

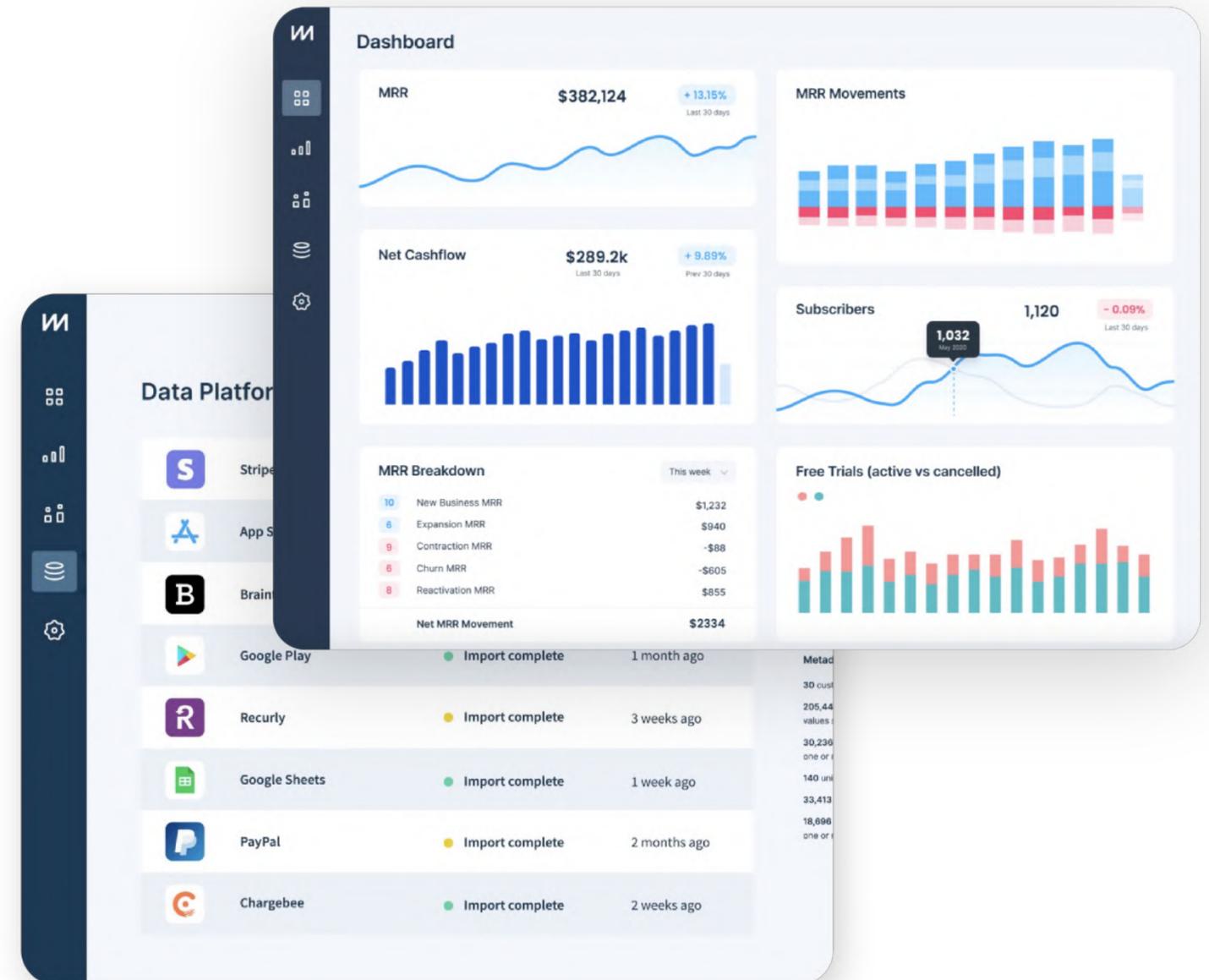


## Solution: Introducing Subscription Analytics Platform

- SaaS businesses at scale need a trusted platform that works alongside their data stack.
- A strong understanding of your business' subscription data can make the difference between getting to \$10M ARR in a couple of years instead of in a couple of decades.

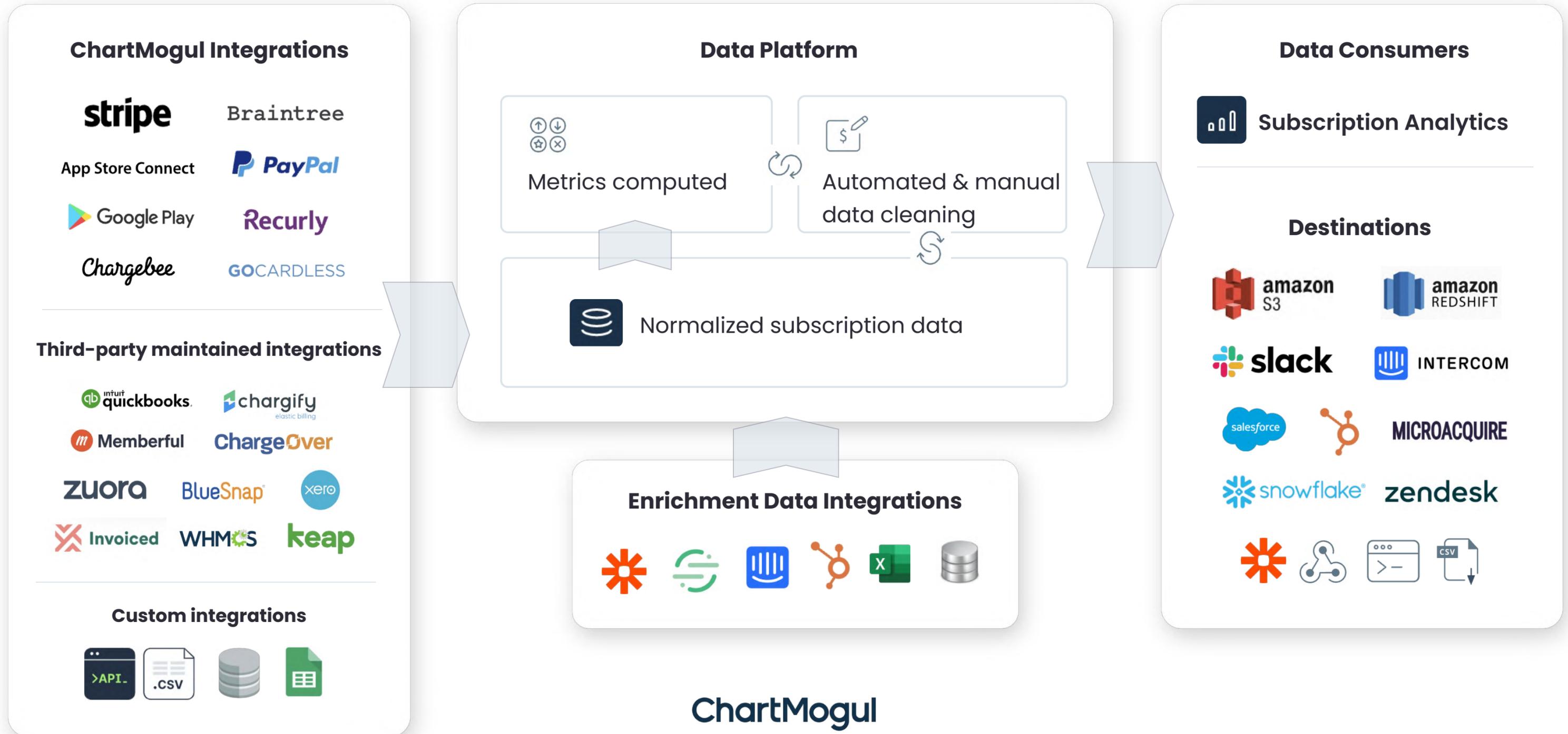
# The New Way: ChartMogul

- Quick and easy to set up
- Baked-in best practices from industry experts
- Updates in real-time
- Empowers non-technical staff to make daily, data-informed decisions
- Attain perfect accuracy in less time with subscription data cleaning tools
- Frees up data team's time
- Push reliable revenue data to other tools on demand



ChartMogul

# ChartMogul Subscription Analytics Platform





**ChartMogul is  
absolutely worth the  
cost we've invested  
five to ten times over.**



Tyson Quick CEO at Instapage

**Thank you.**

**ChartMogul**

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