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SaaS Benchmarks Report

Growth Trends & SaaS Benchmarks From
Studying Over 2,100 SaaS Businesses

2023

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Executive Summary

Welcome to the 2nd edition of the ChartMogul SaaS Benchmarks Report.

In this report, we analyze anonymized and aggregated data from over 2,100 SaaS businesses to bring you the latest SaaS benchmarks and growth trends. Four insights stood out in our research:

- **SaaS growth in 2022 was the slowest it has been in years.**
  After a phenomenal 2020 and 2021, 2022 was much slower. The top quartile of SaaS business with ARR between $1 and $30 million grew 62.1% in 2022 (vs. 93.4% in 2020 and 78.9% in 2021). There is some cause for optimism. Growth for companies with ARR over $1m accelerated in Q1 2023.
- **Retention was a key driver of growth.**
  The last 12 months were the toughest for retention they have ever been. Companies that were able to retain their customers in this tough climate grew at least 1.8x faster than their peers.
- **Companies are now relying more on expansion revenue to drive growth.**
  The proportion of ARR gained from expansion has increased from 28.8% in 2020 to 32.3% now. In comparison, the proportion of ARR gained from the new business has fallen from 62.0% to 57.9%.
- **After 5-6 quarters of lackluster growth, new business ARR is finally ticking up.**
  Some green shoots are starting to emerge. Businesses with ARR over $1m saw an uptick in new business ARR growth in the first quarter of 2023. It's hard to say if this is an outlier or part of a wider trend.

The report is full of insights — there's a lot for you to explore! If you stumble upon anything that is unclear or just want to discuss some of the takeaways do reach out.

The 2023 SaaS Benchmarks Report would not have been possible without the support of my colleagues. A special thanks to Bianca, George, Peter, Rachel, Thomas, and Toni for making this report happen.

Sincerely,
Sid Jain
Senior Research Analyst,
ChartMogul

Sid is a Senior Research Analyst at ChartMogul. He is passionate about SaaS and data and authors The SaaS Roundup which has over 23,000 subscribers. His research is often featured in leading industry journals such as TechCrunch and FastCompany. Before joining ChartMogul, Sid spent seven years at J.P.Morgan. He is based in London, UK.

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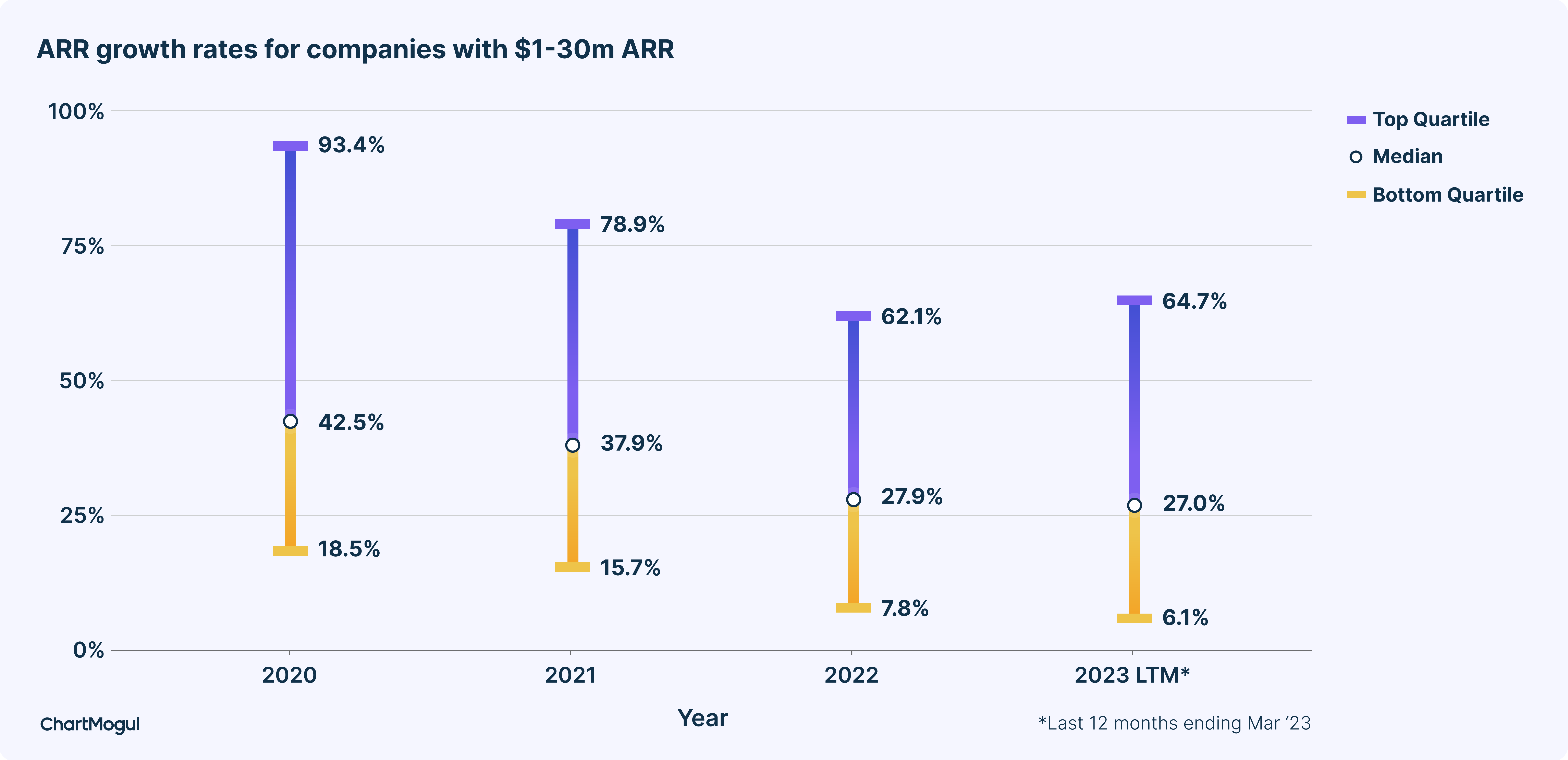
CHAPTER 1

Growth Trends

- Is growth faster or slower in 2023?
- Is new business higher or lower than usual?
- Are there any signs of stabilization in the SaaS market?
- Is expansion lower or higher than usual?

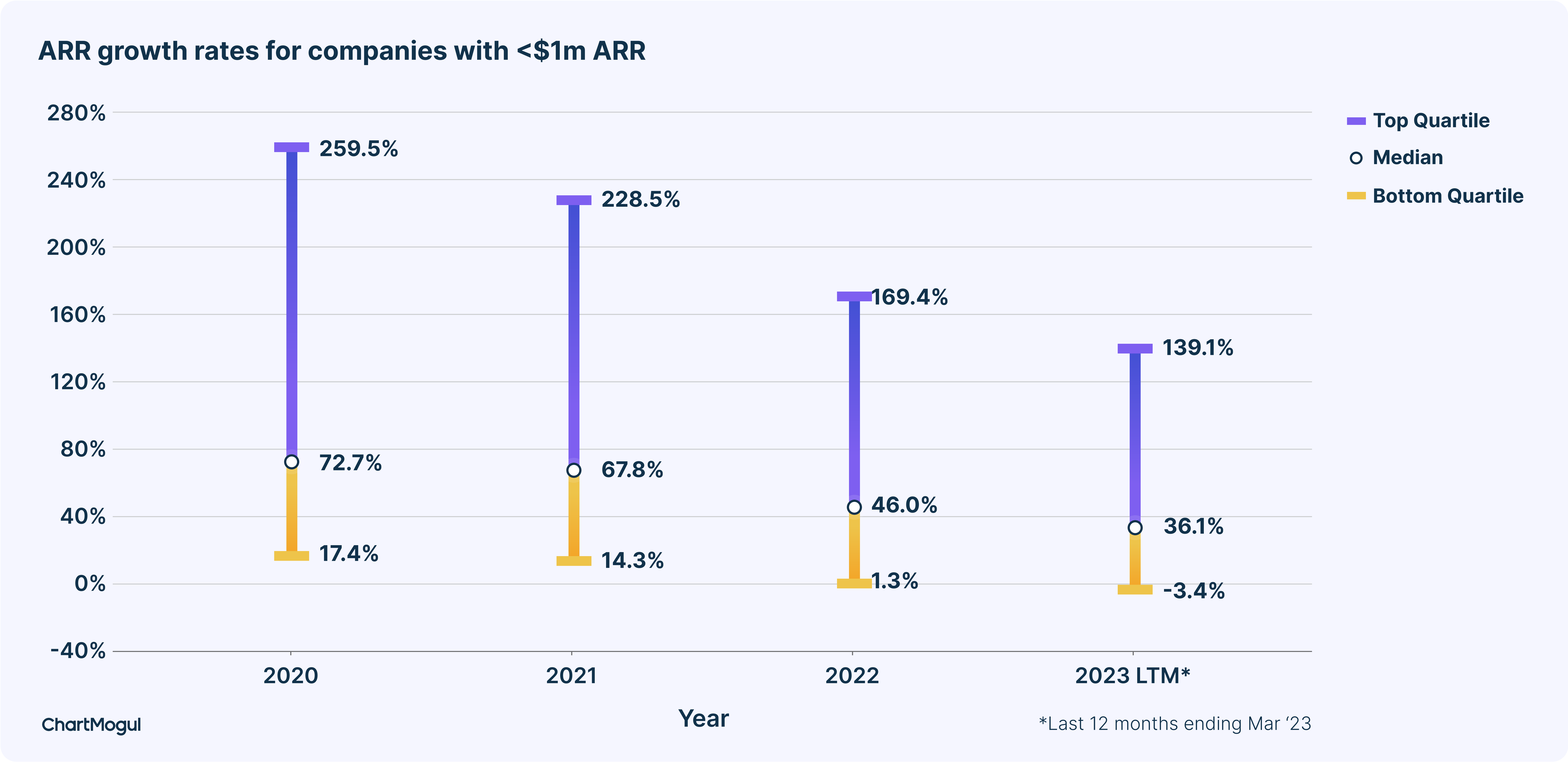
SaaS growth in 2022 was the slowest it has been in three years

After a phenomenal 2020 and 2021, SaaS growth in 2022 was much slower. The top quartile of SaaS business with ARR between $1 and $30 million grew 62.1% in 2022 (vs. 93.4% in 2020 and 78.9% in 2021).

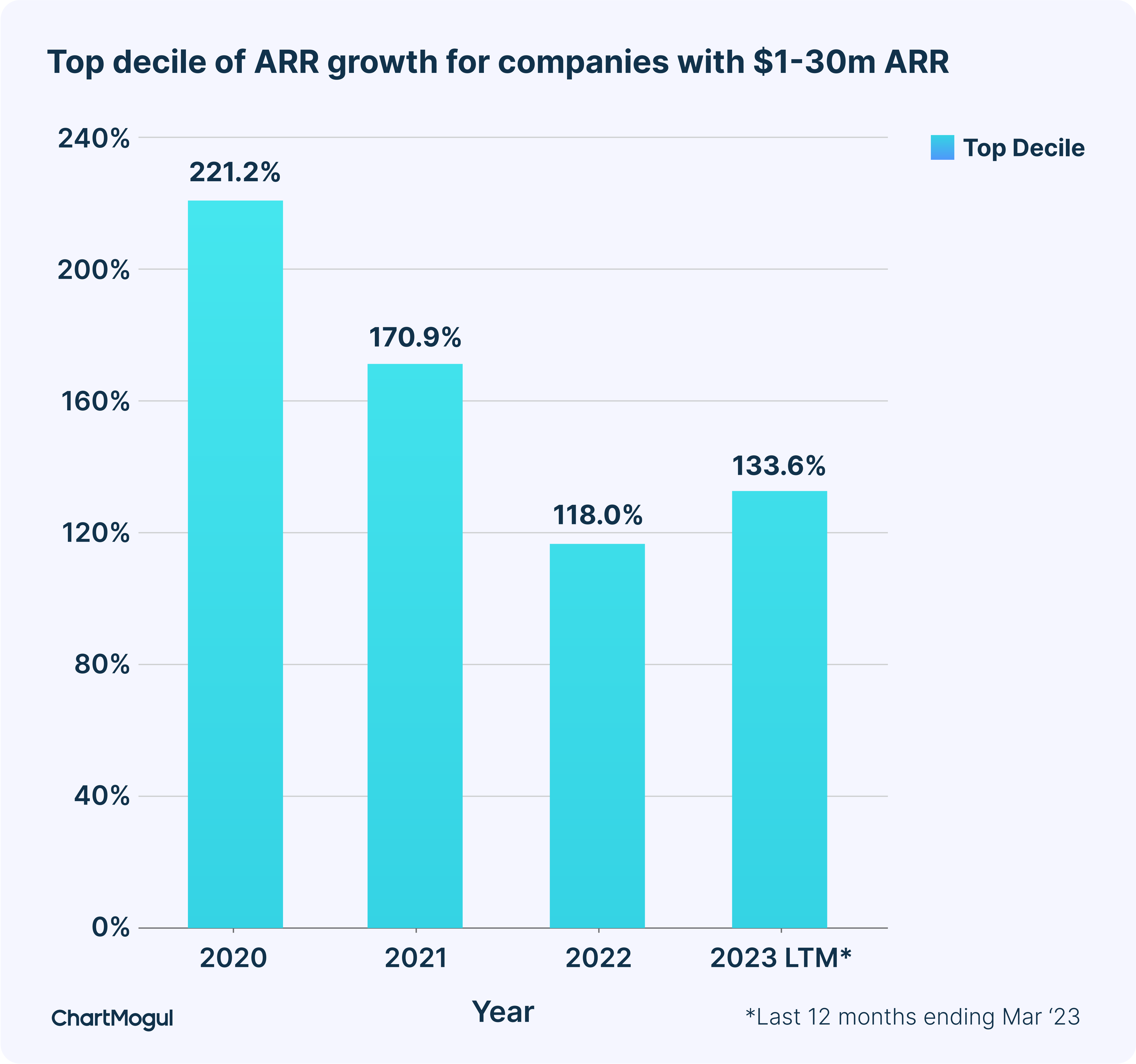


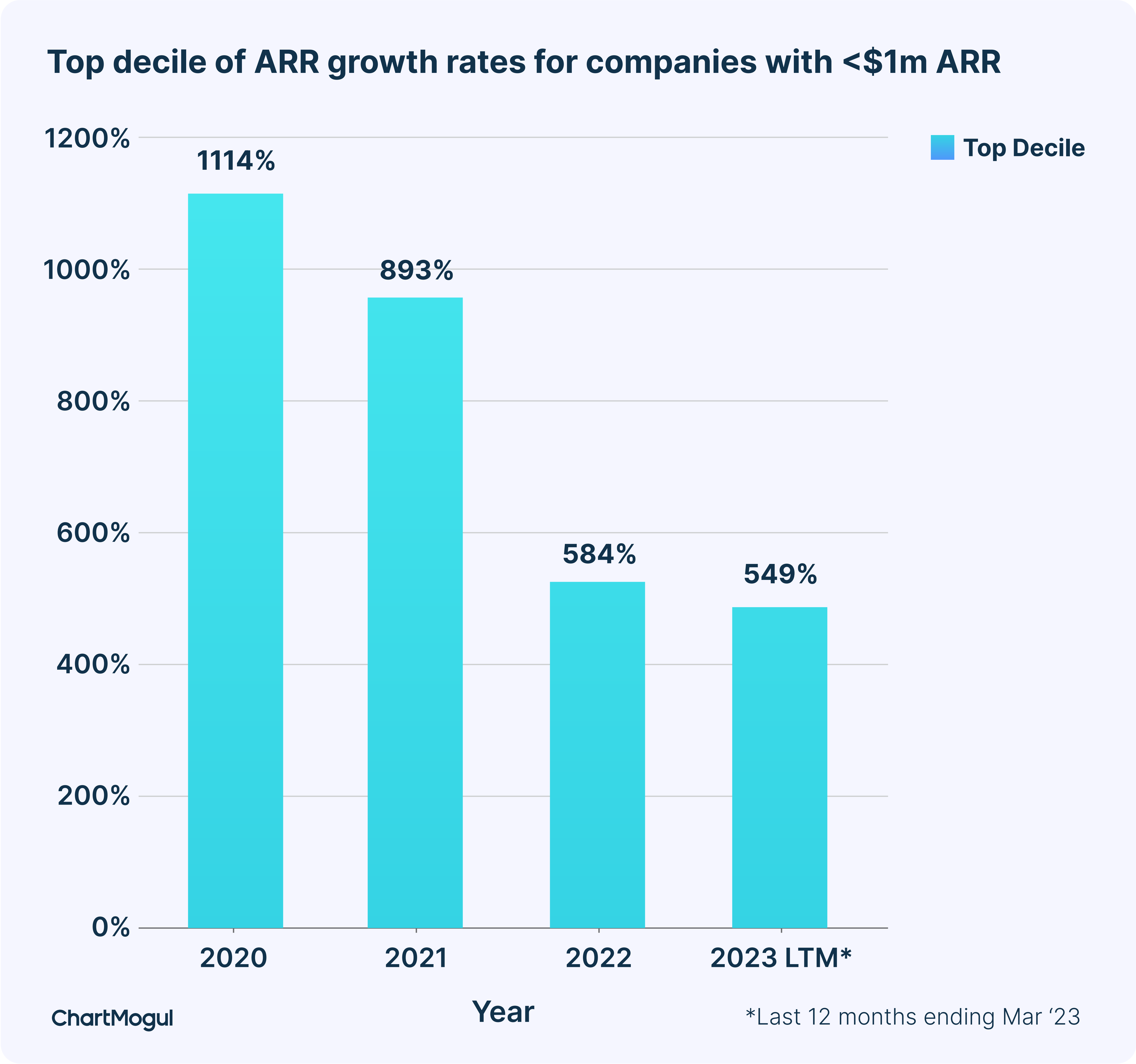
The slowdown in growth rates was even more pronounced for early-stage startups (<$1m ARR)

The top quartile of SaaS business with ARR less than $1 million grew 139.1% in the last 12 months. This is only half the pace at which similar-sized businesses were growing in 2020 or 2021.



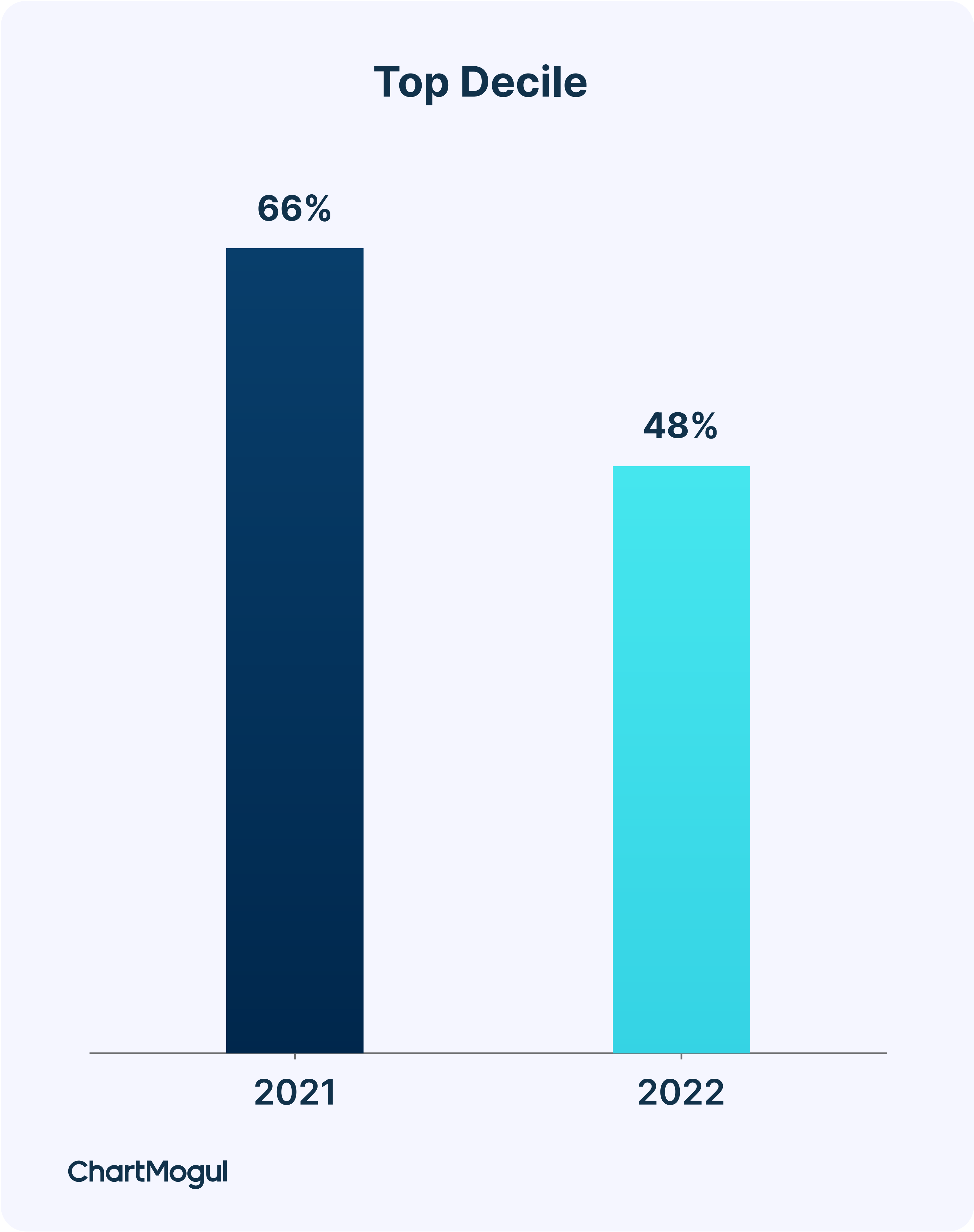
Even the best-in-class SaaS businesses saw growth rates halve compared to the highs of 2020

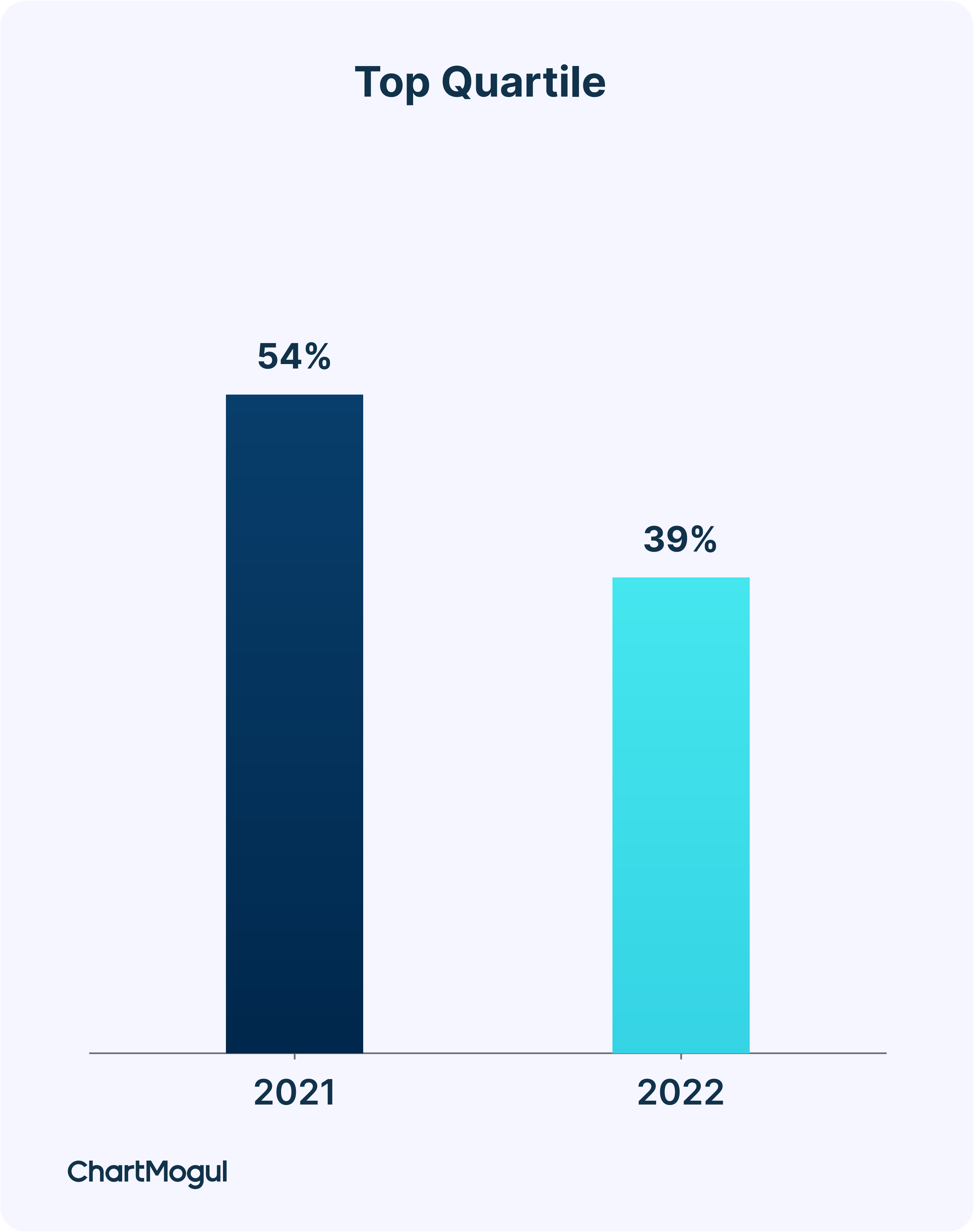


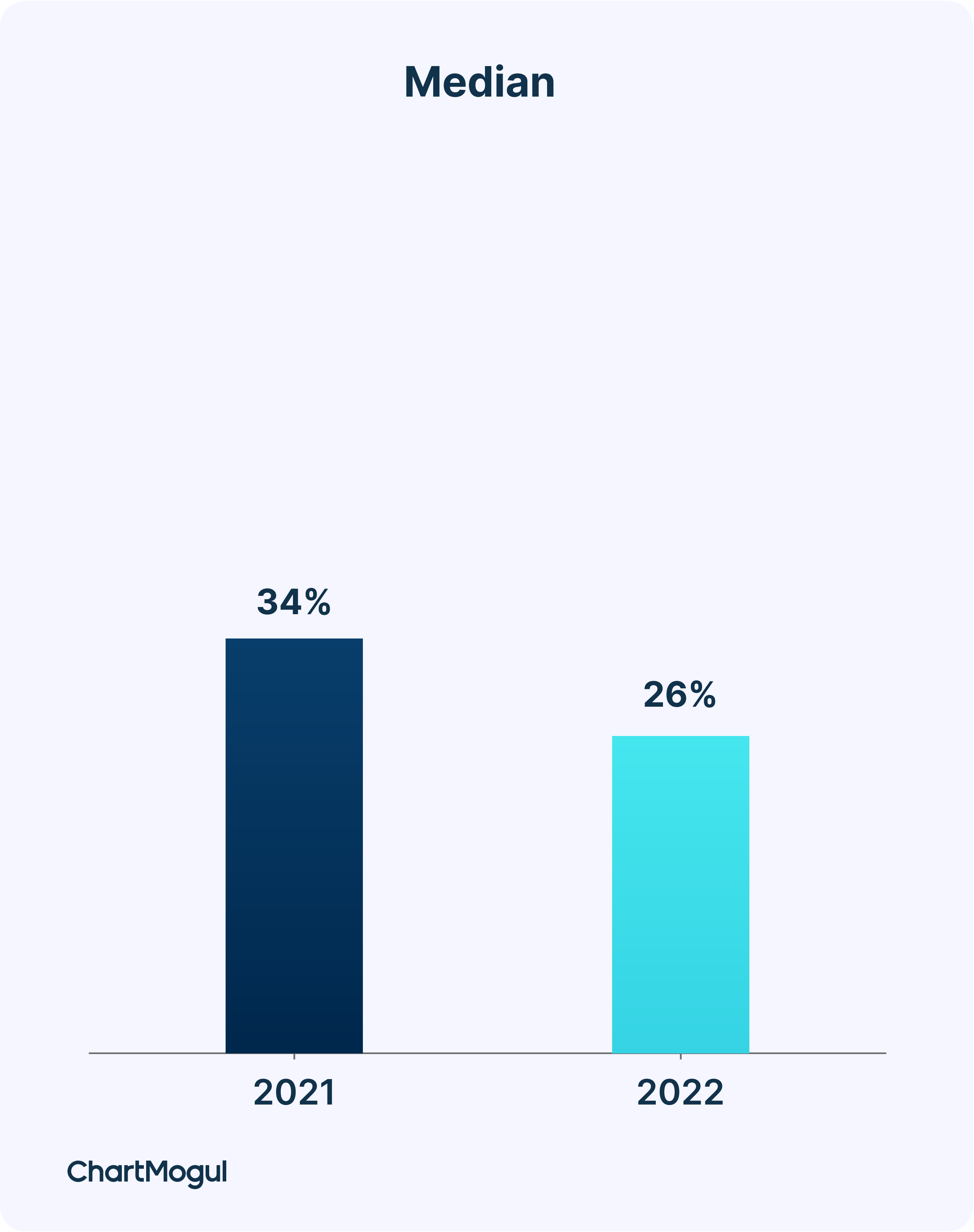


Public SaaS companies experienced a slowdown in growth too

Companies of all sizes experienced a slowdown. The top decile of public SaaS companies grew 48% in 2022 (vs. 66% in 2021) while the top quartile of companies grew 39% in 2022 (vs. 54% in 2021).



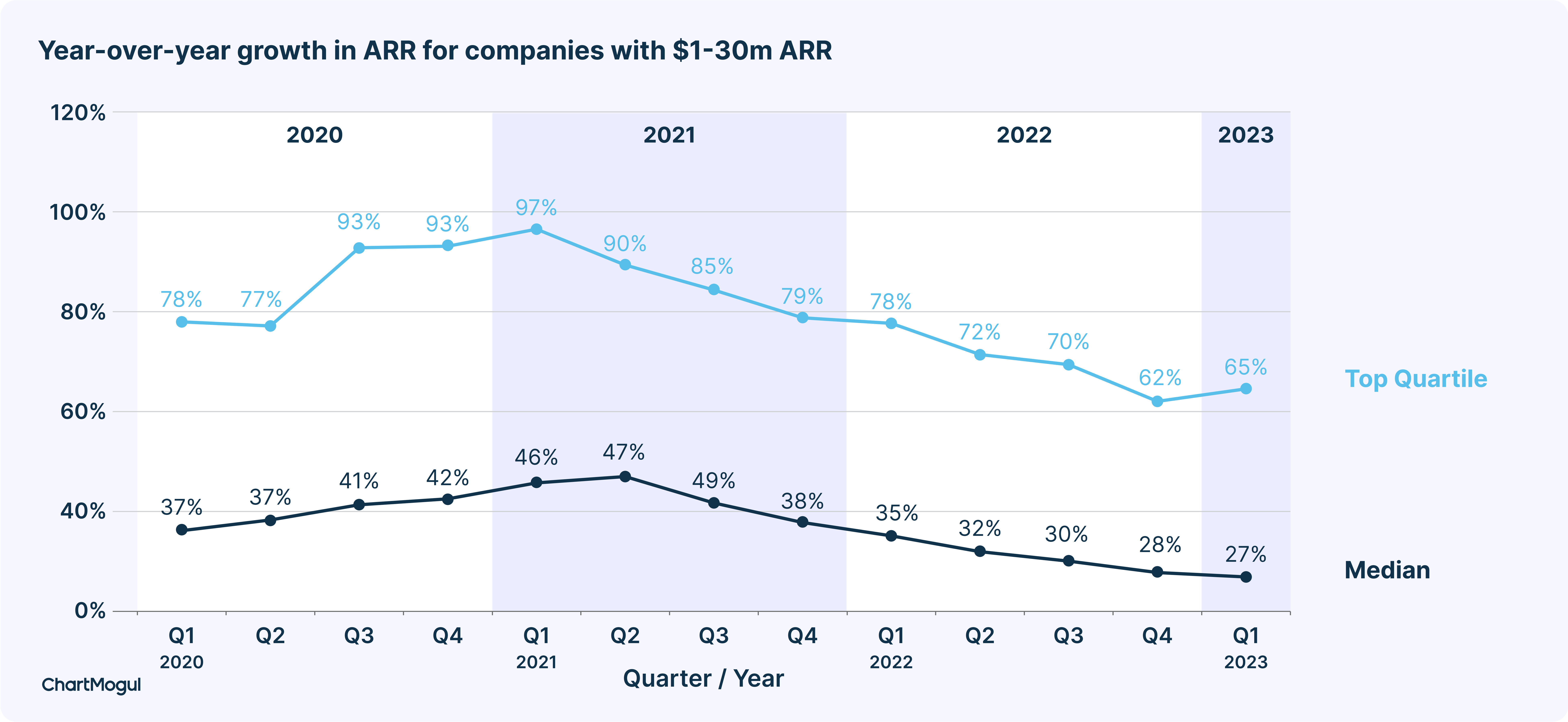




Data Source: Clouded Judgement by Jamin Ball

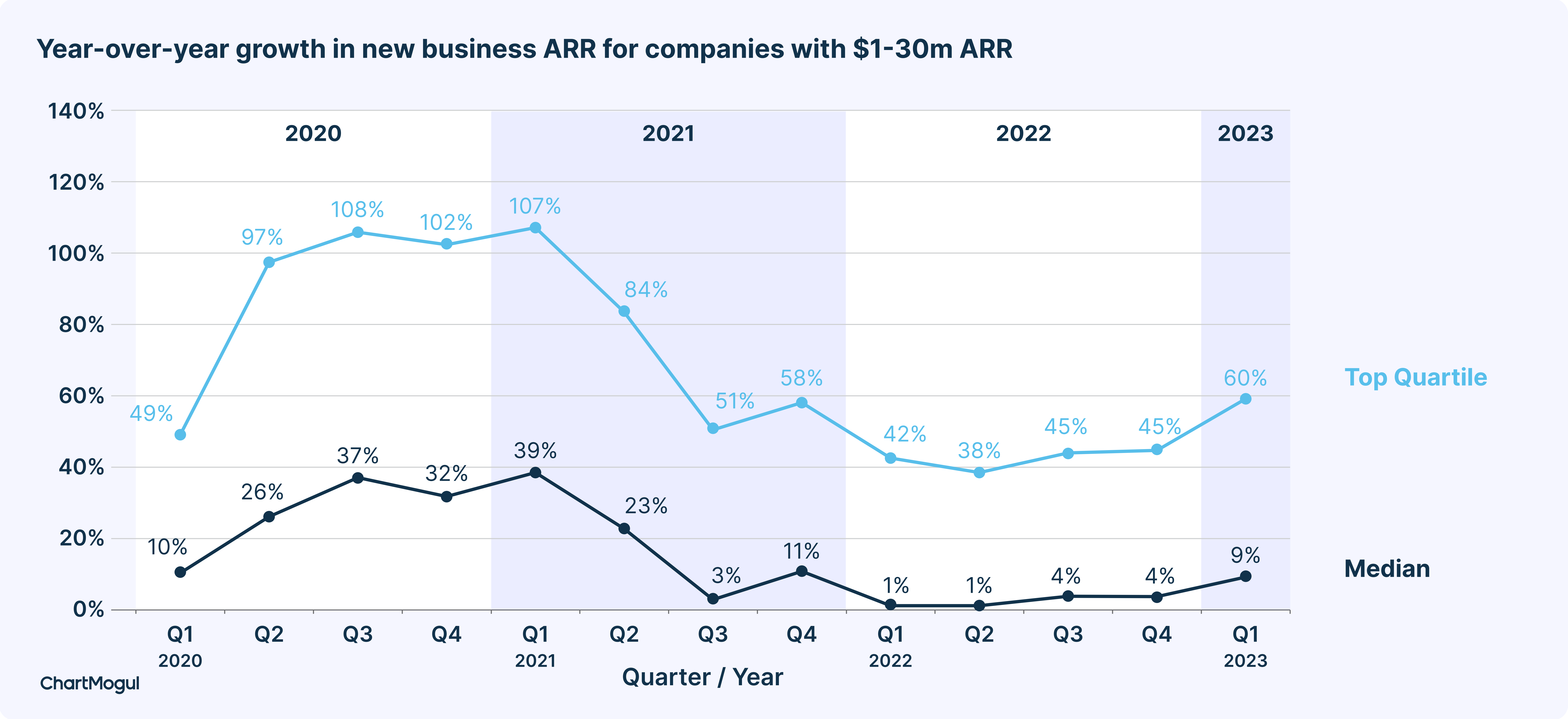
There are signs of stabilization. Growth for companies with ARR over $1m accelerated in Q1 2023

After 7 straight quarters of slowing growth rates, there are signs of stabilization. The top quartile of SaaS companies with ARR over $1m saw growth accelerate slightly in the first quarter of this year. It's too early to say if this is a temporary stabilization, an outlier, or part of a wider trend.

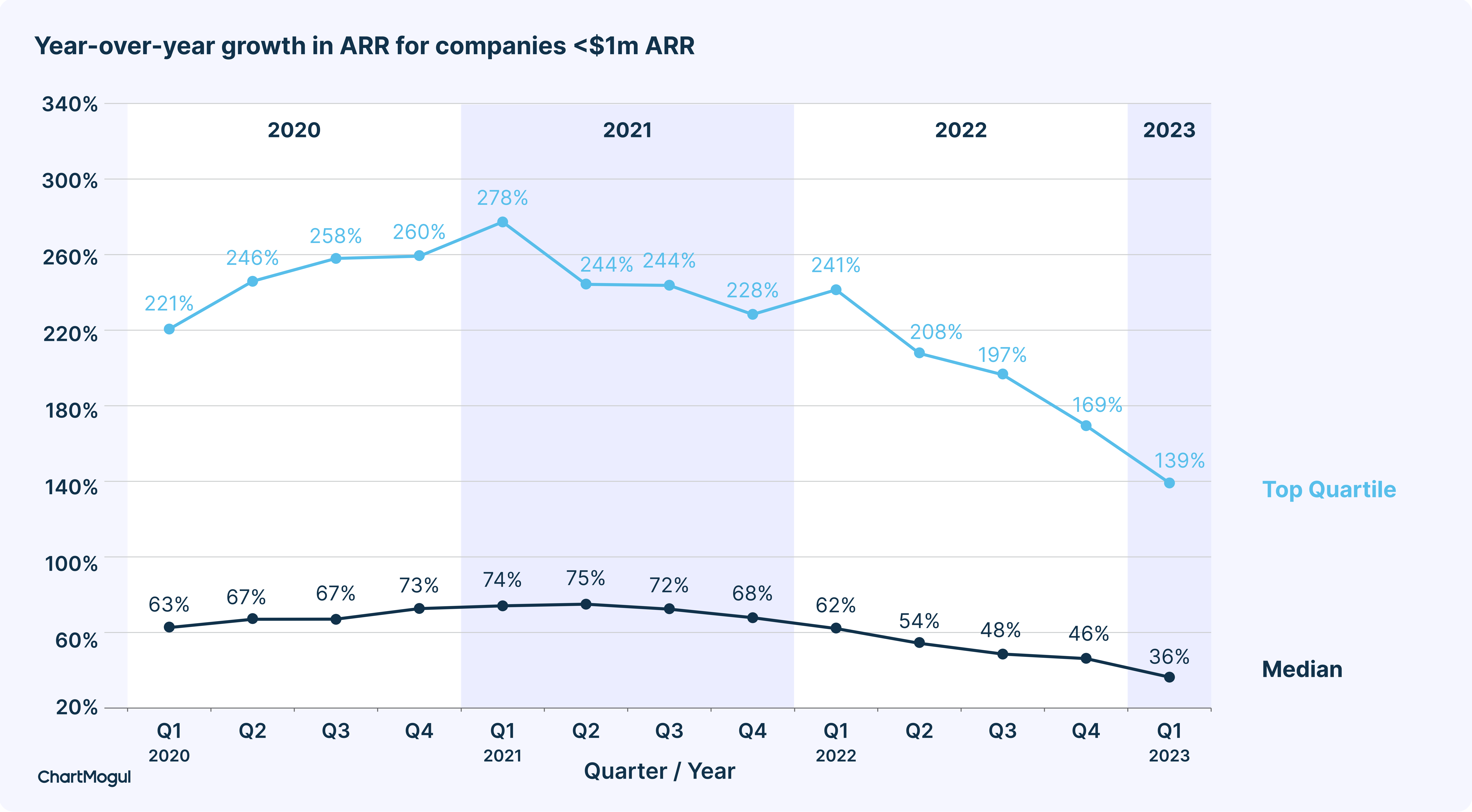


Companies with ARR over $1m also saw an uptick in new business ARR

Late 2020 and the first half of 2021 were the golden periods of new business for most SaaS businesses. The journey from there on has been rough. More recently some green shoots are starting to emerge. Businesses with over $1m in ARR are seeing an acceleration in new business ARR in Q1 2023.

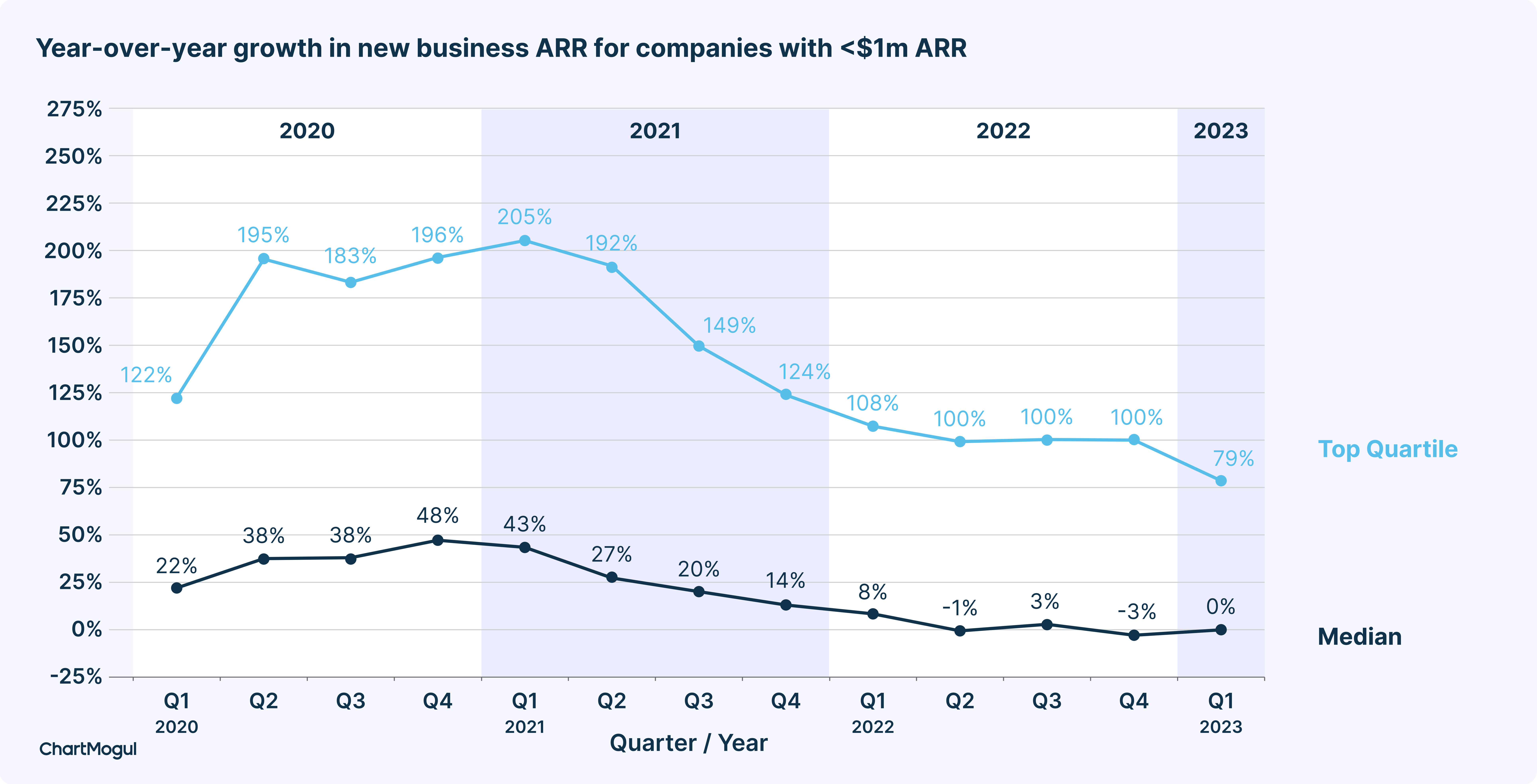


But for companies with ARR less than $1m, growth continues to falter into 2023



New business is also slow for early-stage SaaS startups (<$1m ARR)

The median early-stage startup saw flat year-over-year new business ARR over the past 4 quarters.



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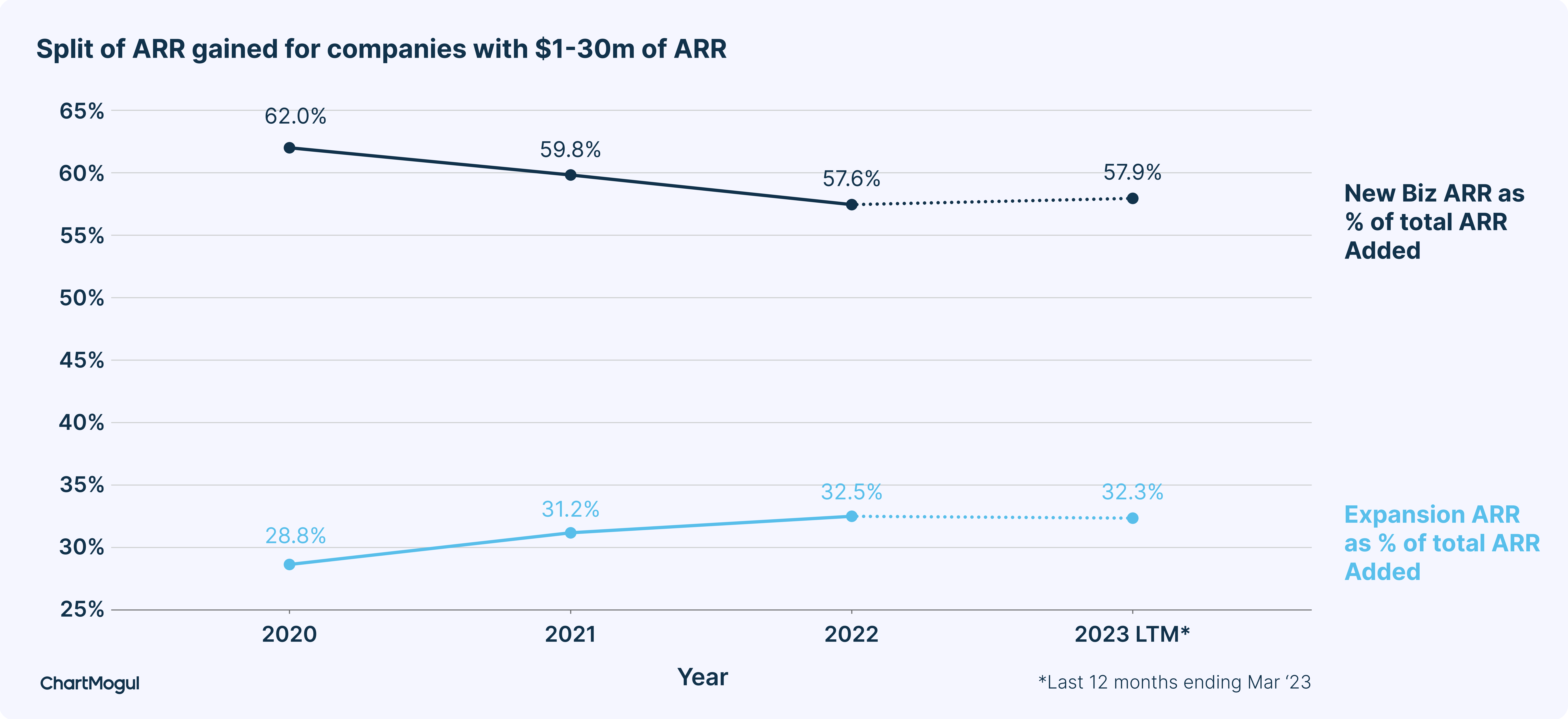
In today’s market average is losing - or more accurately, median is losing. There is a huge difference between being in the top quartile and being on the median. It’s the same difference between having a very strong business and a very meh business. We certainly saw this when I was a VC. We had around 2,000 companies in our portfolio, but all our fund returns came from the top 5%. Things might have looked better for median companies during the free-spending boom of 2020, but that was the anomaly. 2023 is a lot more typical of long-term economic conditions

Matt Lerner, ex-PayPal, 500 Startups VC, Founder at Startup Core Strengths

Given the landscape, companies are relying more on expansion revenue to drive growth

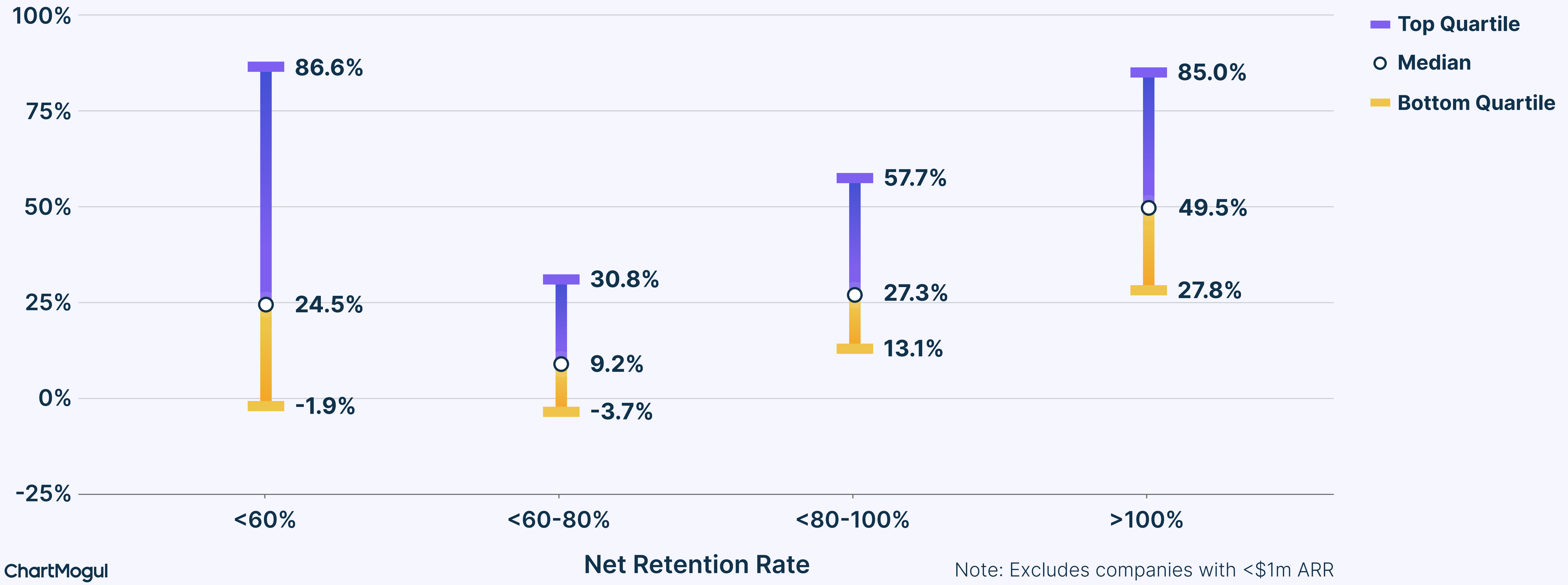
The proportion of ARR gained from new business activities has come down from 62.0% of ARR gained in 2020 to 57.9% now. In contrast, the portion of ARR gained from expansion has increased from 28.8% in 2020 to 32.3% now. The reactivation component has remained roughly stable at 10%.



Companies with best-in-class retention grew at least 1.8x faster than their peers

Retention is the key to growth in today's market. On average, SaaS businesses with a net retention rate of over 100% grew 49.5% in the last 12 months. In comparison, businesses with net retention in the 60-80% range grew by just 9.2%. Note how some SaaS businesses with a retention of less than 60% are able to grow at such fast speeds. This is because they are fast-growing B2C companies, which usually have low retention rates but huge markets.

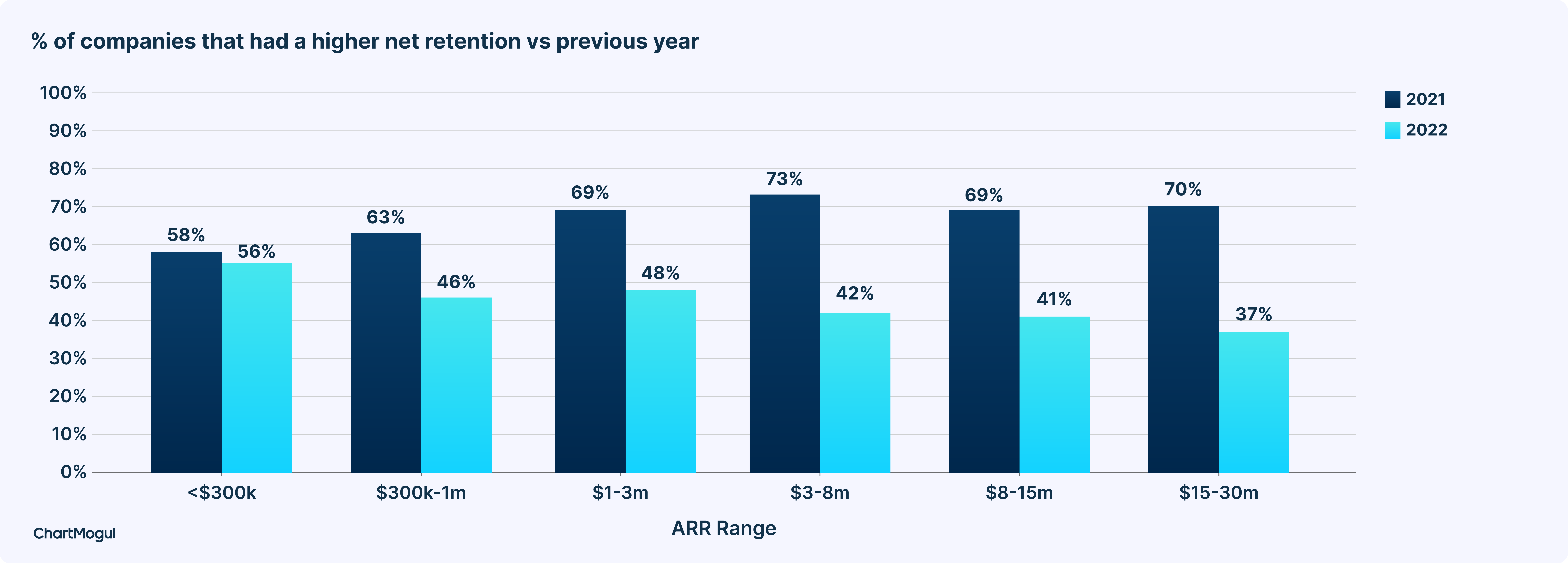
Year-over-year growth in ARR by net revenue retention



Note: Excludes companies with <$1m ARR

Retention was harder than it has ever been. More than half of SaaS businesses saw lower retention rates in 2022

2022 was a challenging year for most SaaS businesses. A tough macroeconomic environment meant customers reassessed and cut their SaaS spend. This is in sharp contrast to 2021 which saw almost 70% of businesses having a higher retention rate in 2021 when compared to previous year.



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There are signs of a venture spring. Valuations in SaaS have ticked up from recent lows. Median round sizes mostly stabilized. But these green shoots were overwhelmed by the decline in total rounds across all stages.

Peter Walker, Head of Insights, Carta

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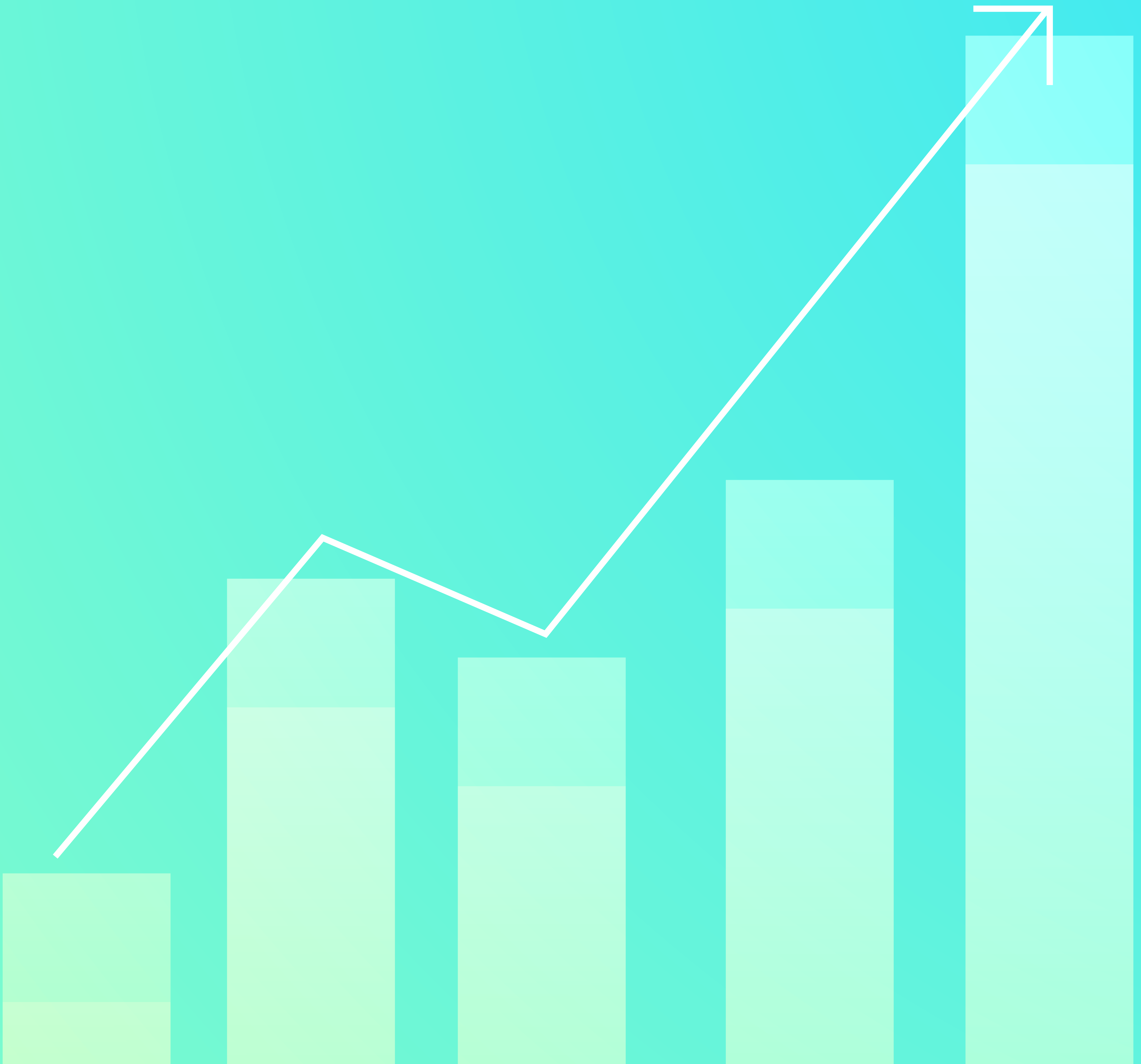
CHAPTER 2

Growth Benchmarks

- What is a good growth rate in 2023?
- How does growth correlate to ARR?
- Do B2B businesses grow faster than B2C?



Compare your growth metrics to the market

Growth benchmarks by ARR range

ARR Growth Rate (over a year)	<$300k	$300k-1m	$1-3m	$3-8m	$8-15m	$15-30m
Best-in-class / Top decile	663%	224%	183%	119%	78%	99%
Good / Top quartile	153%	97%	70%	69%	45%	49%
Ok / Median	37%	32%	27%	27%	29%	32%
Can be better / Bottom quartile	-5%	4%	7%	6%	6%	11%

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Growth benchmarks by ARPA per month range

ARR Growth Rate (over a year)	<$25	$25-100	$100-250	$250-500	$500-1k	>$1k
Best-in-class / Top decile	279%	198%	148%	134%	115%	139%
Good / Top quartile	70%	81%	66%	69%	49%	77%
Ok / Median	24%	31%	27%	29%	31%	38%
Can be better / Bottom quartile	2%	4%	8%	6%	7%	21%

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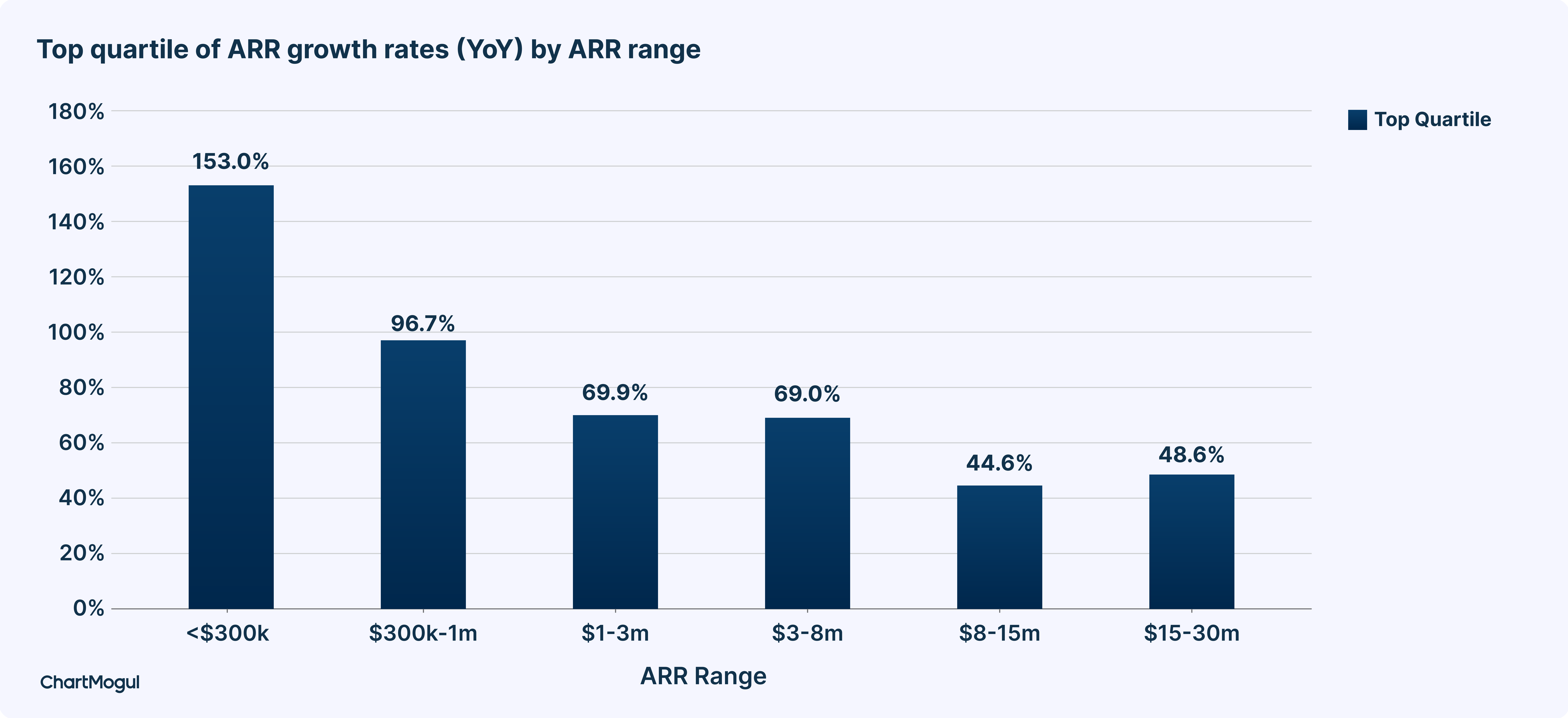
Even though efficiency is a key factor in whether a startup is more or less exciting for investors, growth is the clear #1 consideration. If you're at around $8-15 million ARR, you need to grow roughly 2x year-over-year to get investors excited. If you're below $8 million ARR, you have to grow even faster to get investors to jump out of their seats. That doesn't mean that you can't raise at all if you're growing slower, but it will be more difficult.

Christoph Janz, Managing Partner, Point Nine Capital

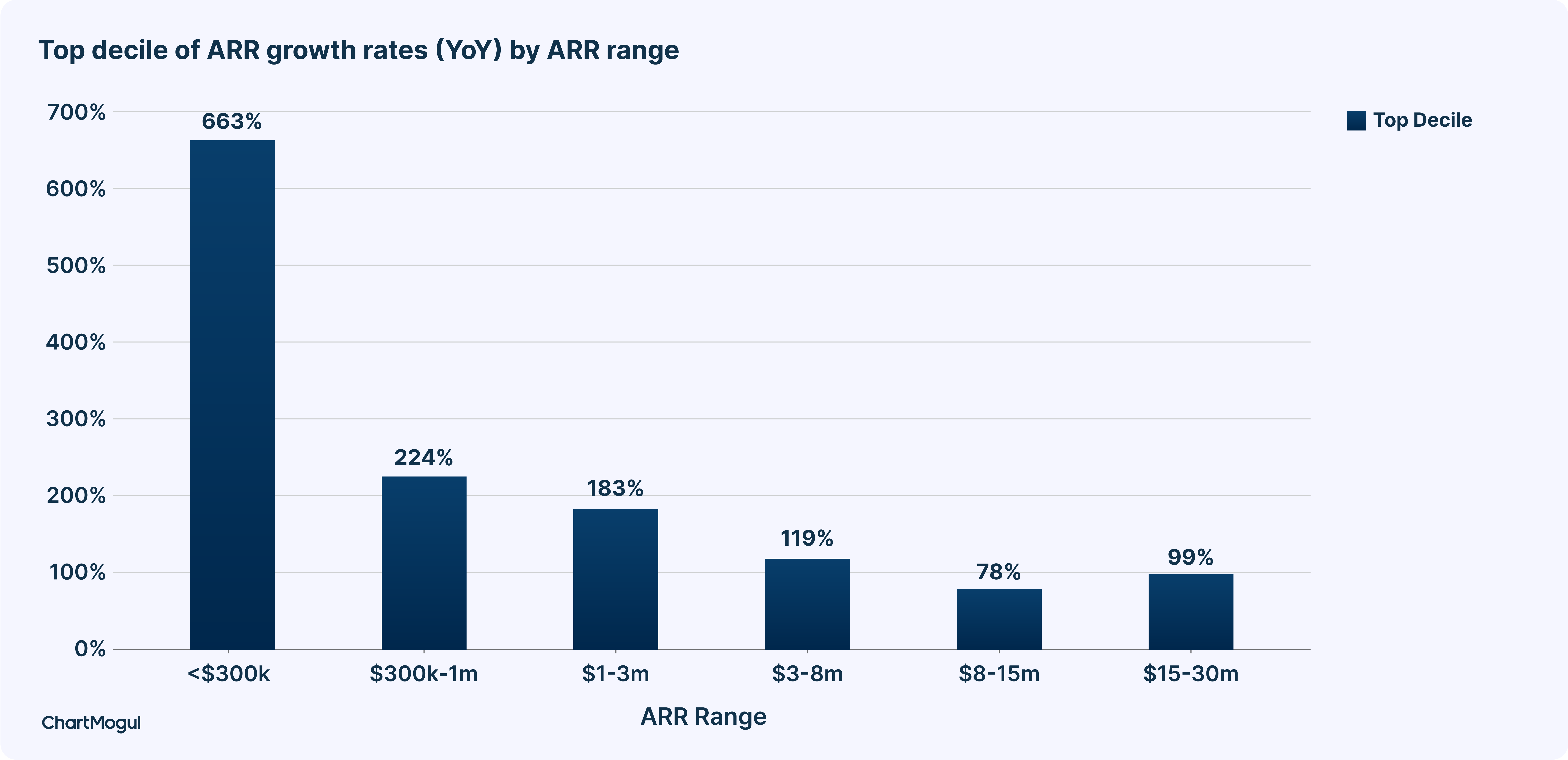
Growth is faster in the early stages. As companies mature, the growth rate slows down

What is a good growth rate for a SaaS startup depends on the stage of your business. Growth is fast in the early stages of business and slows down as businesses mature. The top quartile of business in the $1-8m ARR range grows 70% annually. At scale ($8-30m ARR), the top quartile of businesses grow around 45% annually.



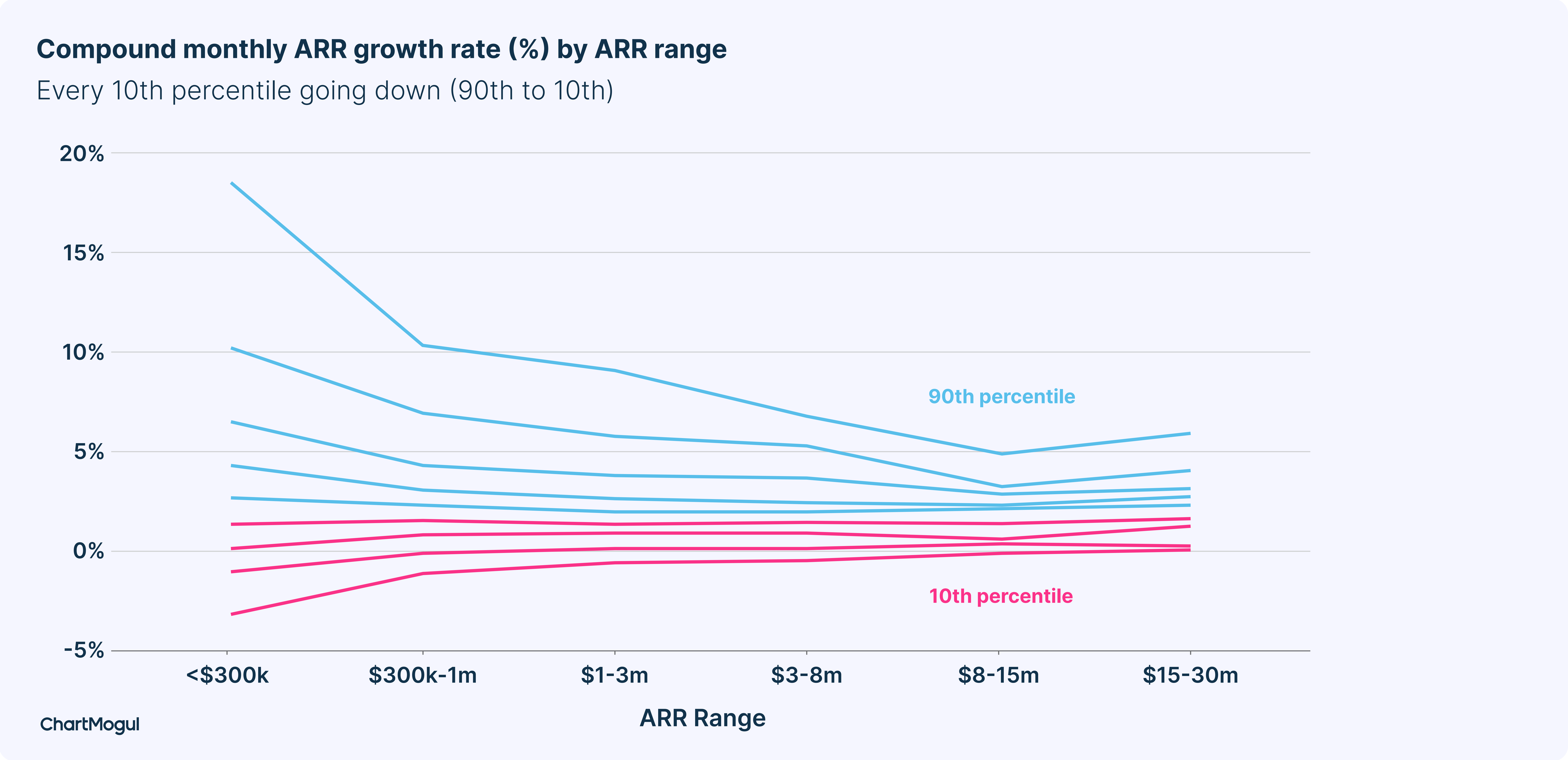
Best-in-class SaaS businesses double their revenue each year

The top decile of SaaS businesses with ARR in the range of $1-3m grow at 183% annually. Those in the $3-8m ARR segment, grow at 119% per annum.



Dispersion in growth is high initially but stabilizes as companies mature

The fastest-growing companies outgrow others multiple times over. VCs often focus on funding the top decile of companies that will double or triple revenue each year.



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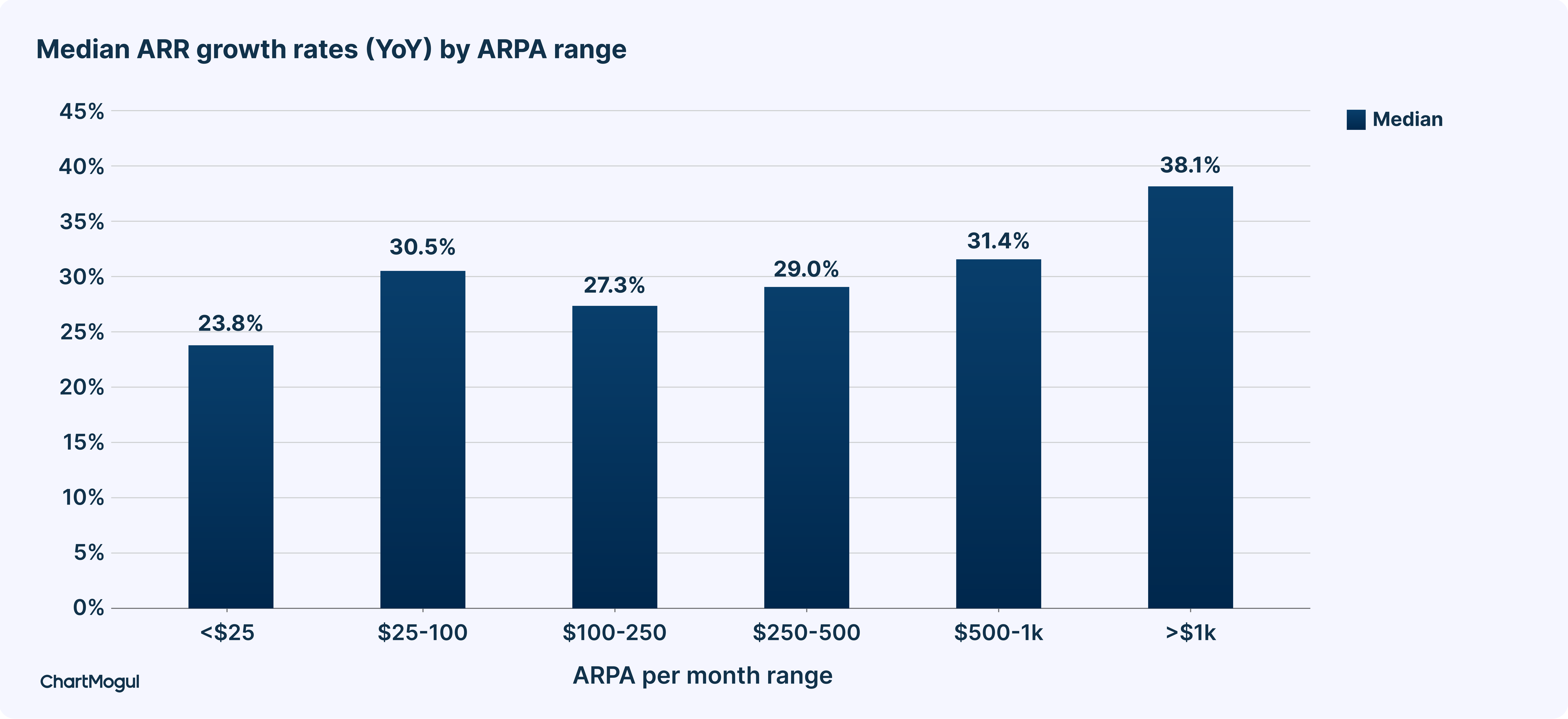
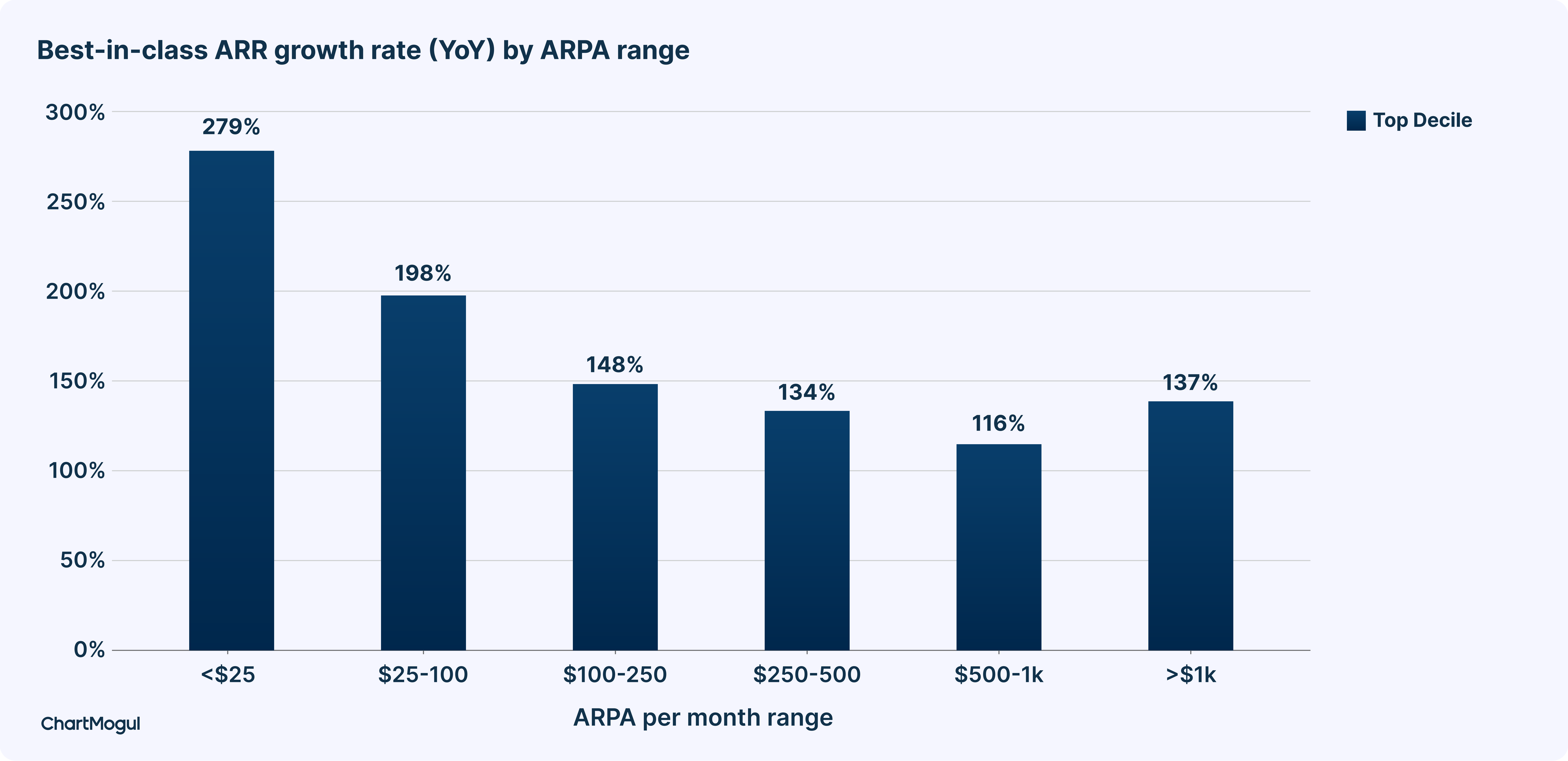
Companies with a higher average revenue per account (ARPA) tend to grow slightly faster on average

The median company with a higher ARPA grows faster than the median company with a lower ARPA. The correlation is weak but is still present.



Talking about explosive growth, B2C growth trumps B2B growth by a margin

The top decile of B2C companies (usually companies with an ARPA less than <$25/month) grow much faster than the top decile of B2B companies (ARPA >$25/month). This in part is because of large market sizes and virality.



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CHAPTER 3

Retention Benchmarks

- What is a good net and customer retention rate?
- Is net retention higher at higher ARRs?
- What percentage of businesses have net retention over 100%?
- How does net retention differ for B2B vs. B2C companies?

Retention Overview and Formulas

Retention is a measure of how well you are able to retain your existing customer base. A high net revenue retention rate can help you achieve better growth, build a more capital-efficient business, and even get higher valuations from investors. In SaaS, you can measure retention in three ways:

01 **Customer Retention** — also known as logo retention, measures the percentage of customers retained over a period of time. For example; if you have 10 customers on day one, what percentage of those customers do you still have 12 months later.

02 **Net Revenue Retention (NRR)** — also known as net dollar retention, measures the percentage of revenue retained over a period of time. For example; if you have a total monthly recurring revenue (MRR) of $100k on day one, what percentage of that revenue do you still have 12 months later.

03 **Gross Revenue Retention (GRR)** — also known as gross dollar retention, measures the percentage of revenue retained, excluding expansions, over a period of time. For example; if you have a total monthly recurring revenue (MRR) of $100k on day one, excluding any contribution from expansions, what percentage of that revenue do you still have 12 months later.

Retention can be measured over any time period, but it is common to measure it over 12 months. Analyzing retention over 12 months works well for both annual and monthly subscriptions. It allows for the full customer lifecycle, including adoption and expansion. And also nullifies any impact from seasonality which can cause short-term fluctuations.

Retention should always be calculated on a cohort basis i.e. over a specific group of customers. Here are the formulas to calculate yearly retention numbers:

$$\text{Customer Retention} = \frac{\text{\# of paying customers left from paying customers one year ago}}{\text{\# of paying customers one year ago}}$$

$$\text{Net Revenue Retention (NRR)} = \frac{\text{MRR today from paying customers one year ago}}{\text{MRR from the same group of customers a year ago}}$$

$$\text{Gross Revenue Retention (GRR)} = \frac{\text{MRR today from paying customers one year ago (excluding any expansion)}}{\text{MRR from the same group of customers a year ago}}$$

Companies in a particular ARPA range share many similarities.

ARPA is the average revenue per account i.e. average monthly recurring revenue across all your customers. Generally, B2C companies have a lower ARPA (<$25/month) compared to B2B companies (>$25/month). The length of the sales cycle, the tenure of your contract, discounting, onboarding, the type of customer support, and even retention strategies all depend on your ARPA. Hence, it’s good to benchmark your SaaS business based on your ARPA band, in addition to your ARR band

Compare your retention metrics to the market (ARR range)

Retention benchmarks by ARR range

	<$300k	$300k-1m	$1-3m	$3-8m	$8-15m	$15-30m
Net Retention (over a year)						
Best-in-class / Top decile	95%	102%	108%	109%	109%	110%
Good / Top quartile	78%	87%	94%	95%	100%	100%
Ok / Median	56%	70%	77%	81%	83%	87%
Can be better / Bottom quartile	35%	50%	57%	61%	67%	60%
Gross Retention (over a year)						
Best-in-class / Top decile	86%	85%	89%	85%	88%	87%
Good / Top quartile	70%	76%	80%	81%	81%	82%
Ok / Median	53%	62%	68%	68%	72%	69%
Can be better / Bottom quartile	33%	45%	51%	54%	57%	56%
Customer Retention (over a year)						
Best-in-class / Top decile	84%	85%	86%	86%	85%	86%
Good / Top quartile	71%	77%	79%	80%	82%	81%
Ok / Median	53%	65%	68%	67%	72%	66%
Can be better / Bottom quartile	33%	50%	54%	56%	62%	59%

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Compare your retention metrics to the market (ARPA range)

Retention benchmarks by ARPA per month range

	<$25	$25-100	$100-250	$250-500	$500-1k	>$1k
Net Retention (over a year)						
Best-in-class / Top decile	82%	101%	110%	112%	120%	126%
Good / Top quartile	68%	91%	95%	101%	104%	110%
Ok / Median	54%	73%	86%	87%	91%	100%
Can be better / Bottom quartile	38%	58%	69%	75%	80%	78%
Gross Retention (over a year)						
Best-in-class / Top decile	73%	83%	86%	90%	94%	94%
Good / Top quartile	63%	76%	82%	84%	86%	91%
Ok / Median	50%	64%	72%	74%	79%	82%
Can be better / Bottom quartile	35%	51%	58%	64%	73%	68%
Customer Retention (over a year)						
Best-in-class / Top decile	75%	84%	87%	90%	93%	92%
Good / Top quartile	65%	75%	82%	81%	85%	86%
Ok / Median	54%	66%	72%	73%	77%	79%
Can be better / Bottom quartile	38%	53%	58%	64%	68%	65%

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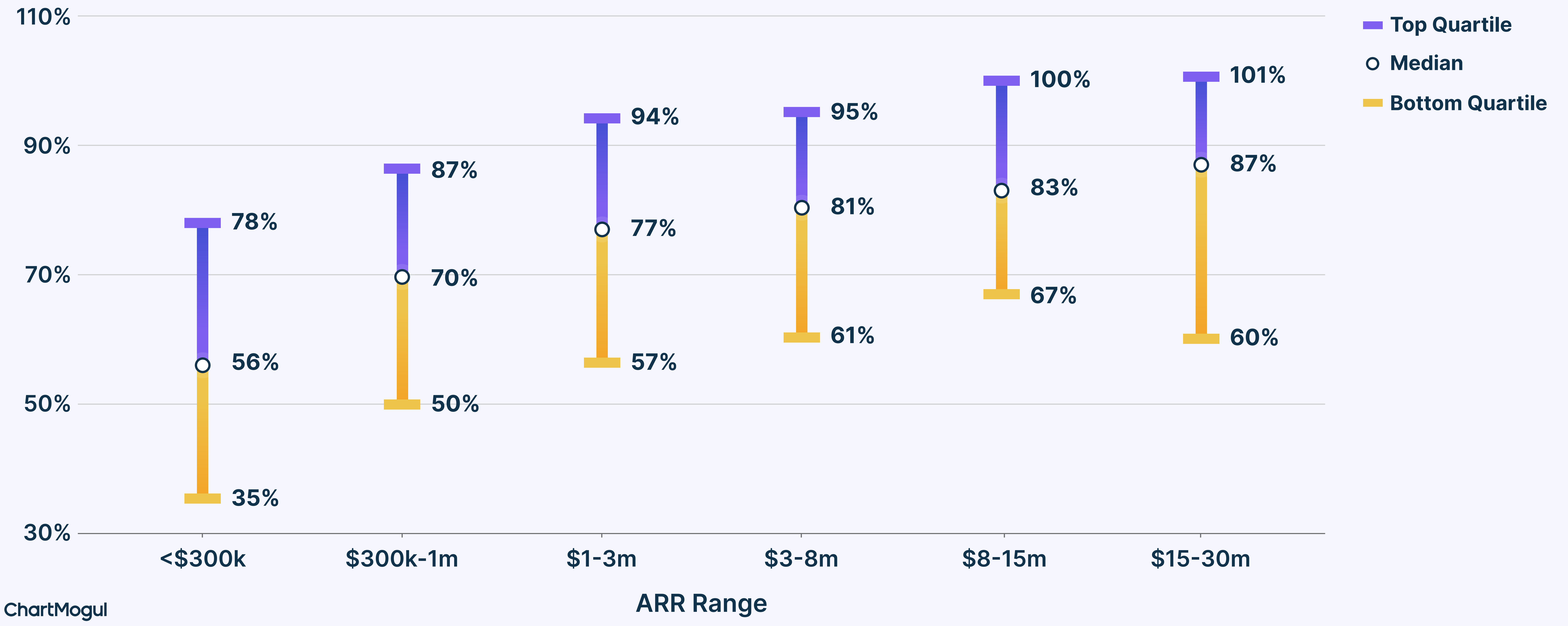
"In reality, for every B2B SaaS business retention becomes the biggest growth driver in a way. So it is worth focussing on retention really from day one, perhaps even before you actually have any meaningful retention data to look at.

Nick Franklin, Founder & CEO, ChartMogul

SaaS businesses at scale should target a net retention rate over 100%

What is a good net retention rate differs by the stage of business. In the pre-product market fit stage, net retention is usually poor. As SaaS businesses grow and find product-market fit, net retention improves. Finally, as companies reach scale, and become category leaders, net retention often exceeds 100%. When benchmarking, always keep the stage of your business in mind.

Net revenue retention rate by ARR range

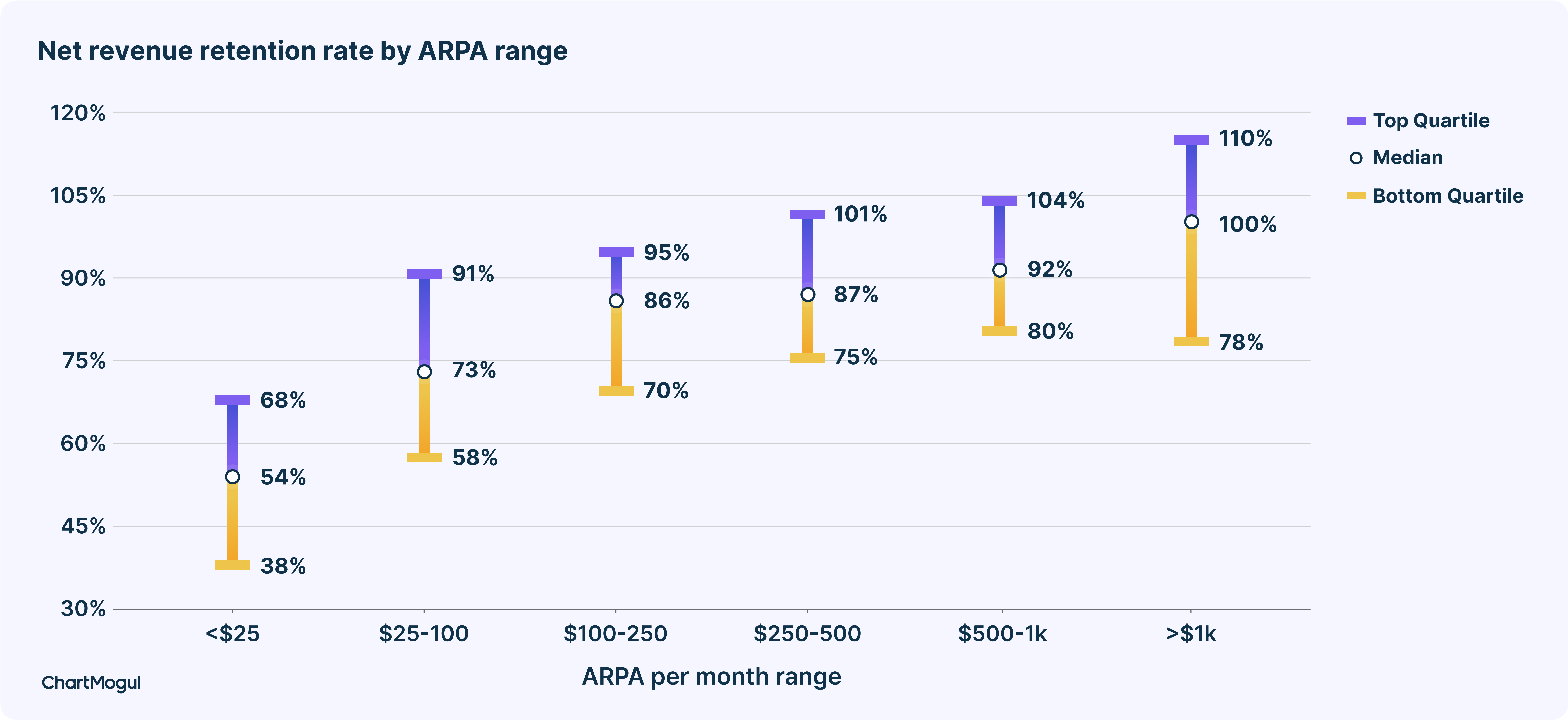


Best-in-class net revenue retention is at the 110% mark

A net retention rate of over 100% indicates a strong product market fit and showcases your ability to compound revenue from your existing customer base. Businesses with net retention over 100% usually have a combination of a high gross retention + strong expansion loop.

The definition of "good" net retention is dramatically different between B2B and B2C SaaS

The top quartile of companies with an ARPA over $1k/month hit 110%+ net retention, while the top quartile of companies of B2C businesses i.e. those with an ARPA less than $25/month only hit 70%. When judging whether a SaaS company has good gross retention, make sure you keep their ARPA in mind.



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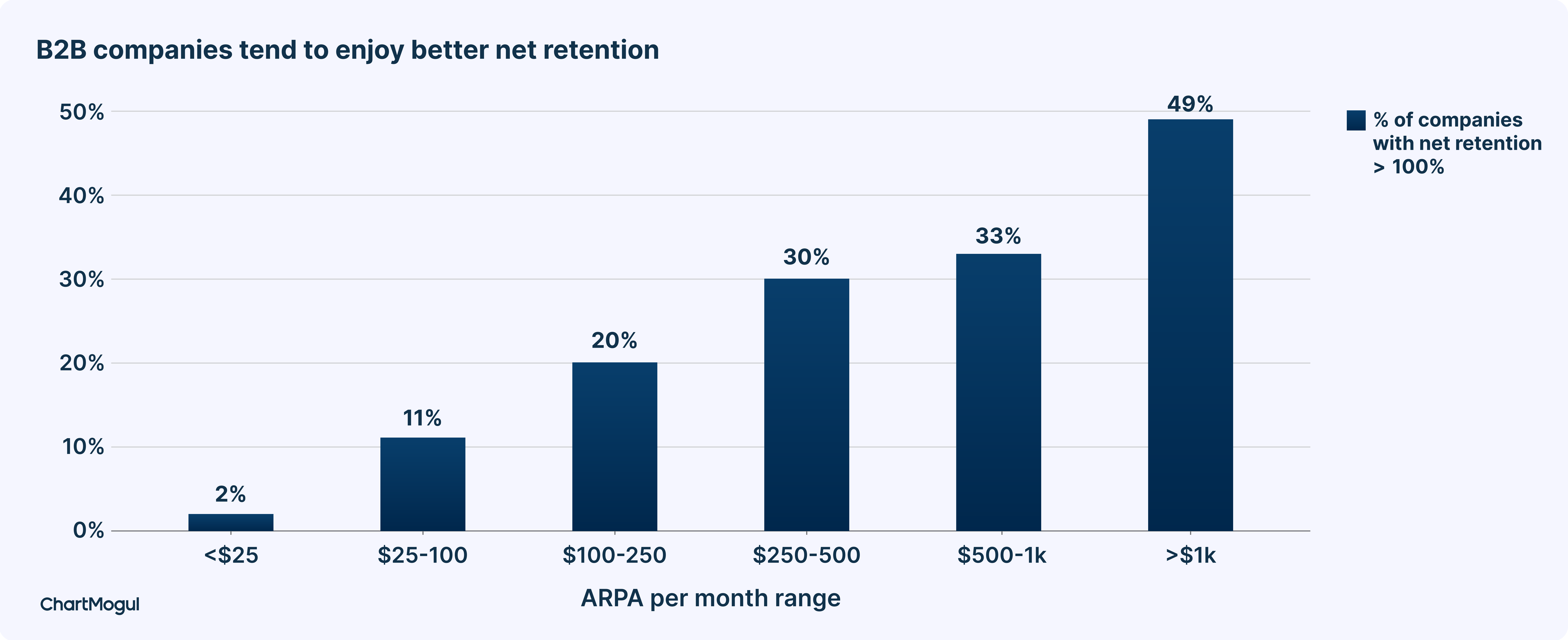
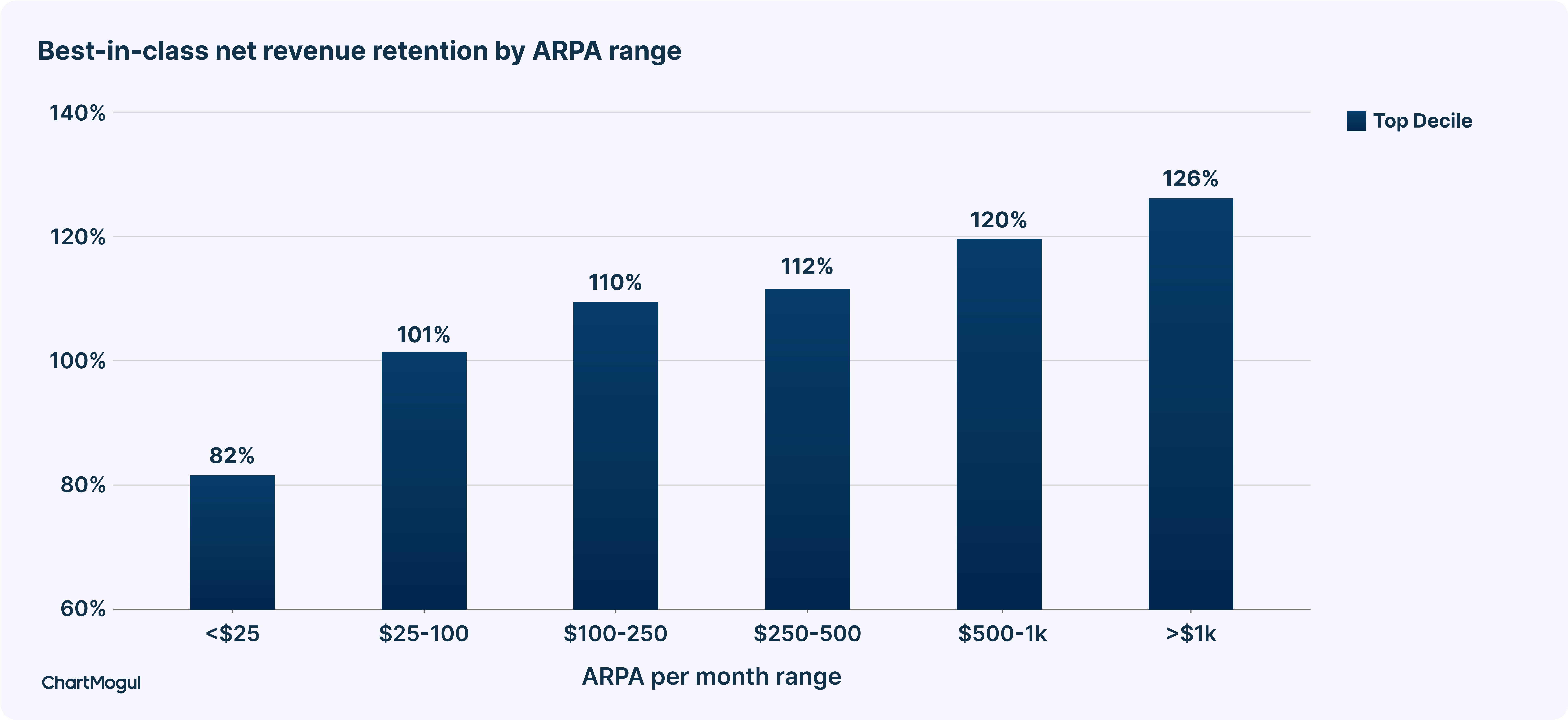
It’s hard for B2C businesses to have high net retention rates

In B2C (companies with ARPA <$25/month), churn is higher and expansion is lower. Churn is higher because of a lot of knee-jerk buying by the individual customers and expansion is lower because there are fewer upselling and cross-selling opportunities. Only 2% of SaaS businesses with an ARPA less than $25/month have net retention rates over 100%. In contrast, in B2B SaaS, it’s table stakes for you to have net retention near or over 100%. Nearly half of SaaS businesses with an ARPA over $1k/month have net retention over 100%.



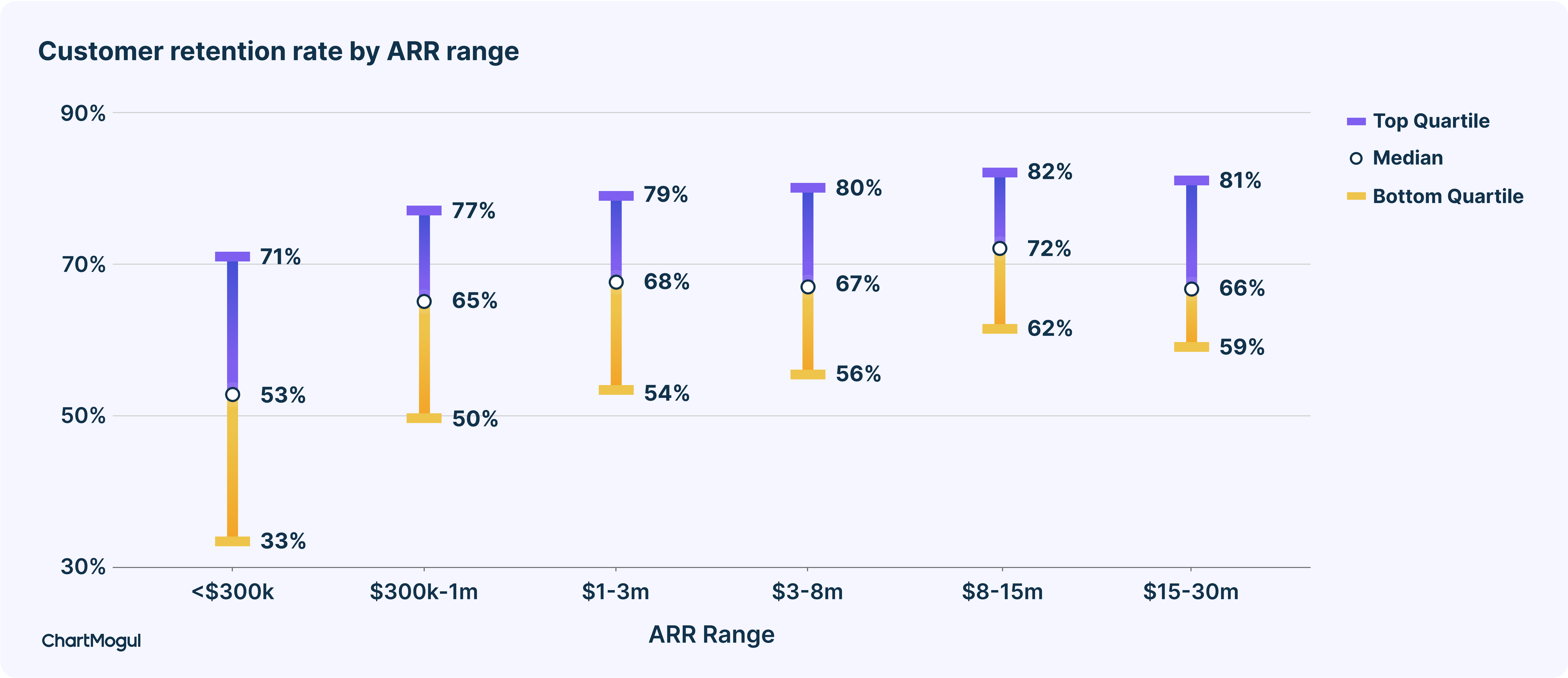
Best-in-class net revenue retention for B2B SaaS is in the 110-125% range

At higher ARPAs, companies are able to upsell and cross-sell their products much more. Based on our analysis, 40% of the new revenue for SaaS businesses with an ARPA of more than $1k/month comes from expansion. This expansion revenue drives up net retention. A lot of B2B SaaS businesses employ the classic “land and expand” strategy.



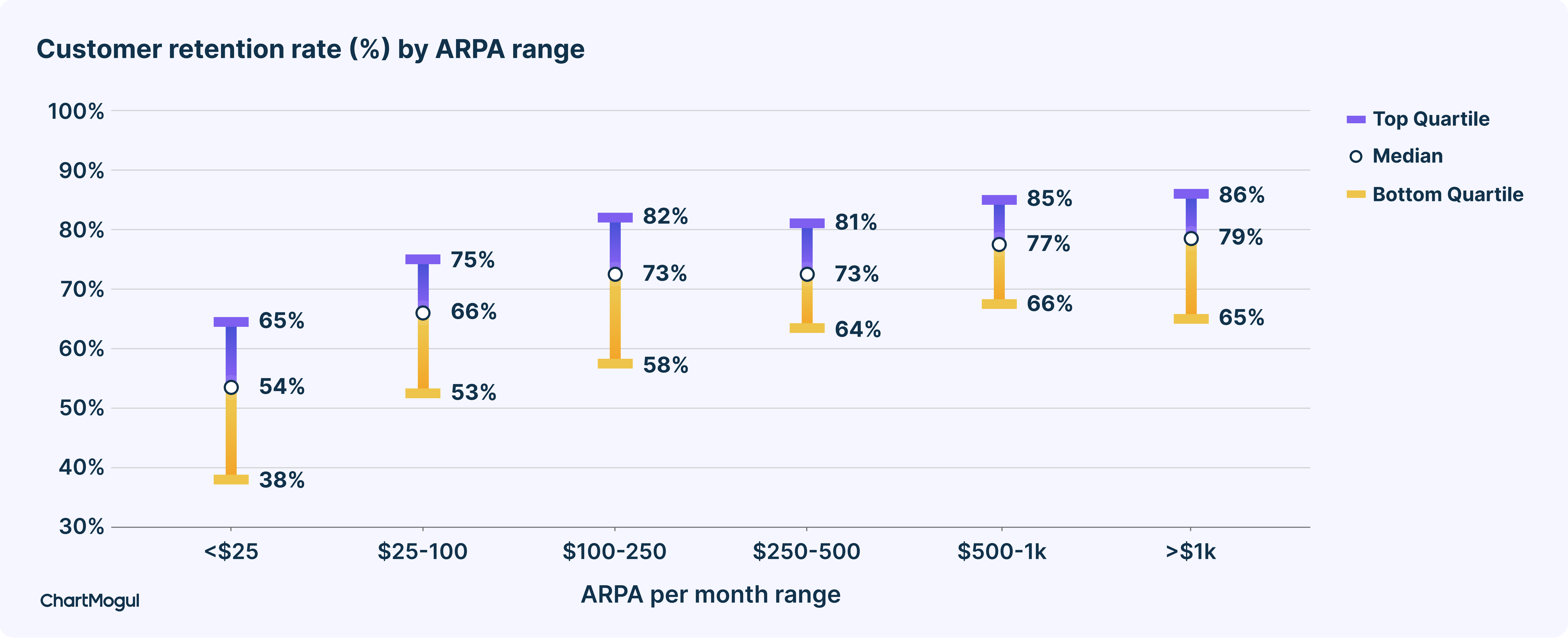
Customer retention is low in the starting stages of a business. As you grow and find product-market fit, retention improves

What is a good net retention rate differs by the stage of business. In the pre-product market fit stage, net retention is usually poor. As SaaS businesses grow and find product-market fit, net retention improves. Finally, as companies reach scale, and become category leaders, net retention often exceeds 100%. When benchmarking, always keep the stage of your business in mind.



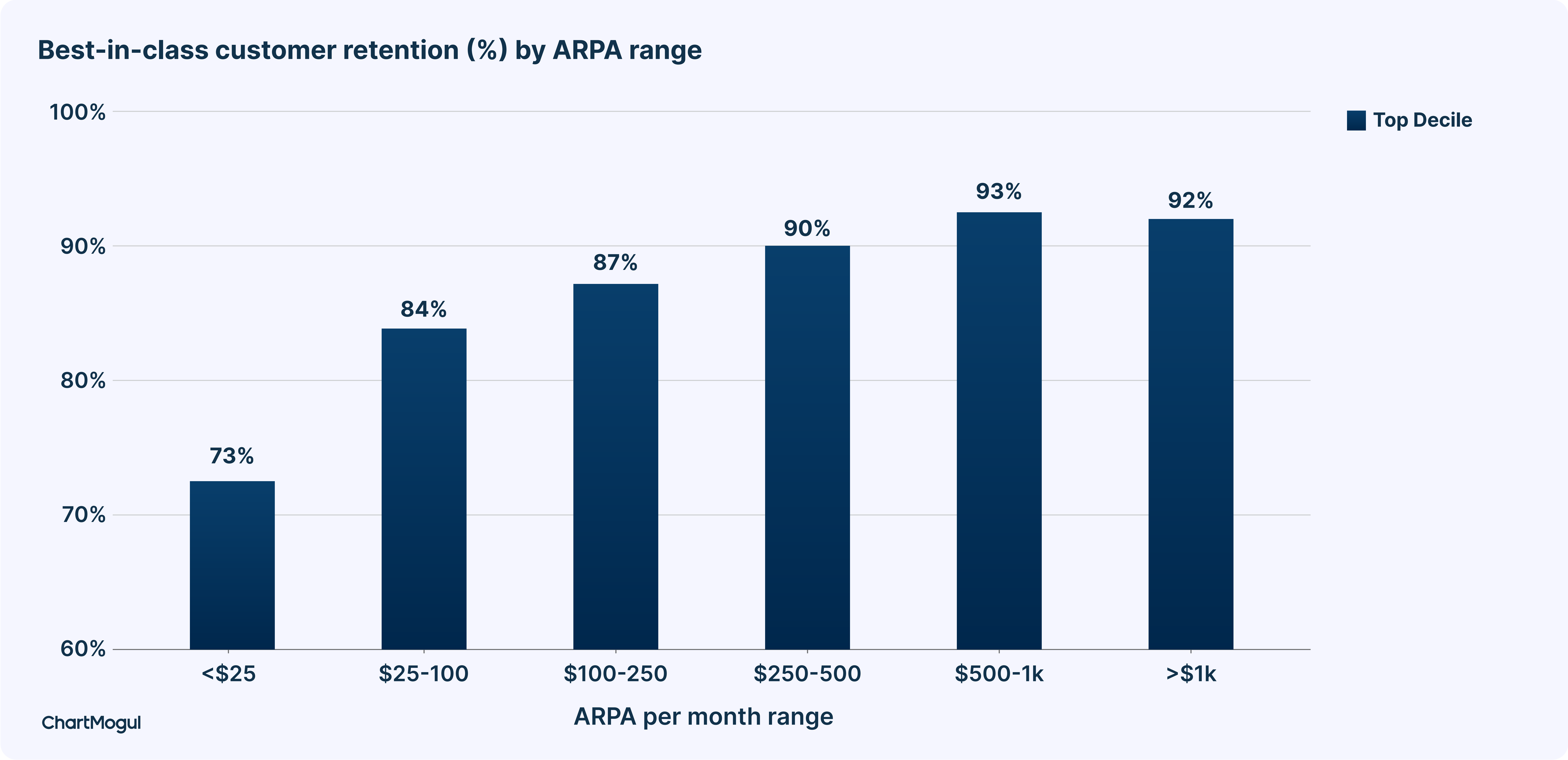
The definition of "good" customer retention depends a lot on who you sell to (consumers, SMB, or enterprise)

B2B businesses often have a higher customer retention rate compared to B2C businesses. Companies with ARPA over $1k/month have a top quartile customer retention rate of 85.8%. In contrast, companies with an ARPA of less than $25/month have a top-quartile customer retention rate of just 64.7%. This is expected. As B2B companies have larger deal sizes, longer sales cycles, and generally more informed decision-making, customer retention is higher.



Best-in-class customer retention for B2B SaaS stands at 90%

Best-in-class customer retention rate depends on your ARPA. For businesses with an ARPA of less than $25/month, it is at 75%. As you move upmarket, best–in–class customer retention increases. For businesses with an ARPA of over $1k/month, it is at 91.9%.



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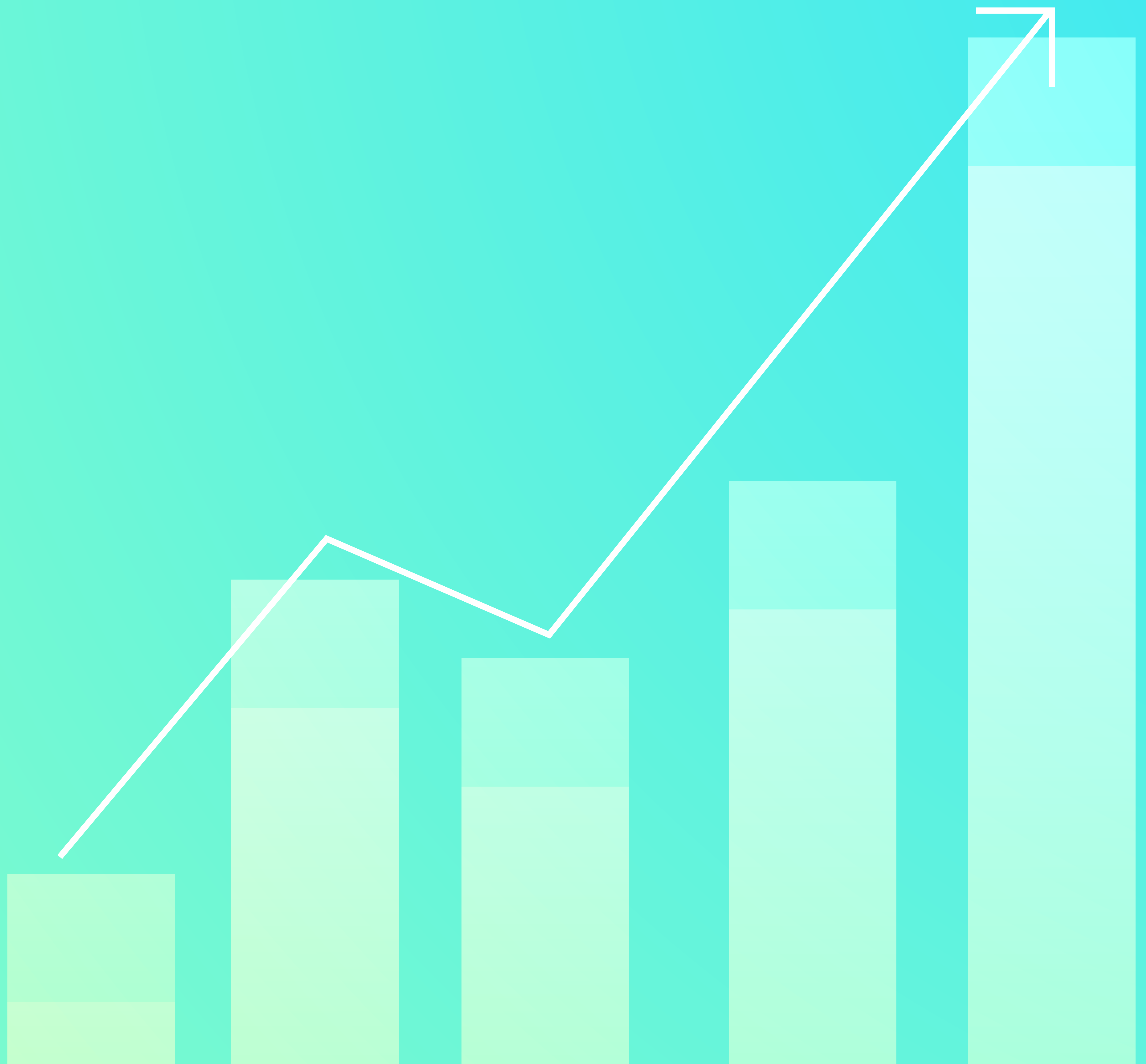
CHAPTER 4

Churn Benchmarks

- What is a good net and customer churn rate?
- What percentage of businesses have negative churn?
- How is churn different for B2B vs. B2C businesses?



Churn overview and formulas

Churn measures the rate at which customers or revenue is leaving your SaaS business. You can measure churn in three ways:

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

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

$$\text{Gross MRR Churn Rate} = \frac{\text{Churn + Contraction MRR lost in the period}}{\text{MRR at start of period}}$$

$$\text{Net MRR Churn Rate} = \frac{\text{(Churn + Contraction MRR lost in the period) - (Expansion + Reactivation MRR gained in the period)}}{\text{MRR at start of period}}$$

Churn can be measured over any period of time, but it's best measured on a monthly basis. In the early stages, churn gives you quick feedback which other metrics seldom do. You can run tests on your platform, and then see feedback within the next few days or months.

Net churn rate 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. 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.

Compare your churn metrics to the market (ARR range)

Churn benchmarks by ARR range

	<$300k	$300k-1m	$1-3m	$3-8m	$8-15m	$15-30m
Net MRR Churn Rate (Monthly)						
Best-in-class / Top decile	0.2%	-0.4%	-1.2%	-0.8%	-0.8%	-1.1%
Good / Top quartile	2.4%	0.8%	0.3%	0.2%	-0.1%	-0.4%
Ok / Median	6.2%	3.1%	2.3%	1.6%	1.4%	1.8%
Can be better / Bottom quartile	12.3%	6.7%	5.5%	4.1%	3.1%	5.4%
Gross MRR Churn Rate (Monthly)						
Best-in-class / Top decile	2.5%	2.0%	1.6%	2.0%	1.6%	1.5%
Good / Top quartile	4.8%	3.6%	3.0%	3.3%	2.8%	2.2%
Ok / Median	4.1%	5.7%	5.3%	5.3%	4.0%	5.8%
Can be better / Bottom quartile	16.5%	10.5%	9.0%	9.5%	8.0%	11.1%
Customer MRR Churn Rate (Monthly)						
Best-in-class / Top decile	1.5%	1.4%	1.3%	1.3%	1.5%	1.3%
Good / Top quartile	3.2%	2.5%	2.2%	2.3%	2.0%	1.7%
Ok / Median	6.5%	4.1%	3.7%	3.8%	3.1%	4.1%
Can be better / Bottom quartile	11.6%	7.3%	6.9%	6.5%	5.6%	7.4%

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Compare your churn metrics to the market (ARPA range)

Churn benchmarks by ARPA per month range

	<$25	$25-100	$100-250	$250-500	$500-1k	>$1k
Net MRR Churn Rate (Monthly)						
Best-in-class / Top decile	1.3%	-0.3%	-1.2%	-1.2%	-1.9%	-2.6%
Good / Top quartile	3.2%	0.8%	0.1%	0.4%	-0.4%	-0.8%
Ok / Median	6.0%	2.8%	1.3%	0.7%	0.4%	0.1%
Can be better / Bottom quartile	10.2%	5.7%	3.4%	2.5%	1.4%	1.4%
Gross MRR Churn Rate (Monthly)						
Best-in-class / Top decile	3.3%	2.5%	2.0%	1.5%	0.9%	0.7%
Good / Top quartile	5.4%	3.7%	3.0%	2.2%	1.6%	1.1%
Ok / Median	8.2%	5.7%	4.8%	3.6%	2.4%	2.7%
Can be better / Bottom quartile	13.3%	10.3%	8.7%	5.7%	5.3%	6.0%
Customer MRR Churn Rate (Monthly)						
Best-in-class / Top decile	2.5%	1.7%	1.4%	1.0%	0.9%	0.7%
Good / Top quartile	4.0%	2.8%	1.9%	1.9%	1.4%	1.1%
Ok / Median	6.1%	4.2%	3.1%	3.0%	2.2%	1.8%
Can be better / Bottom quartile	9.3%	7.4%	5.8%	4.7%	3.6%	3.5%

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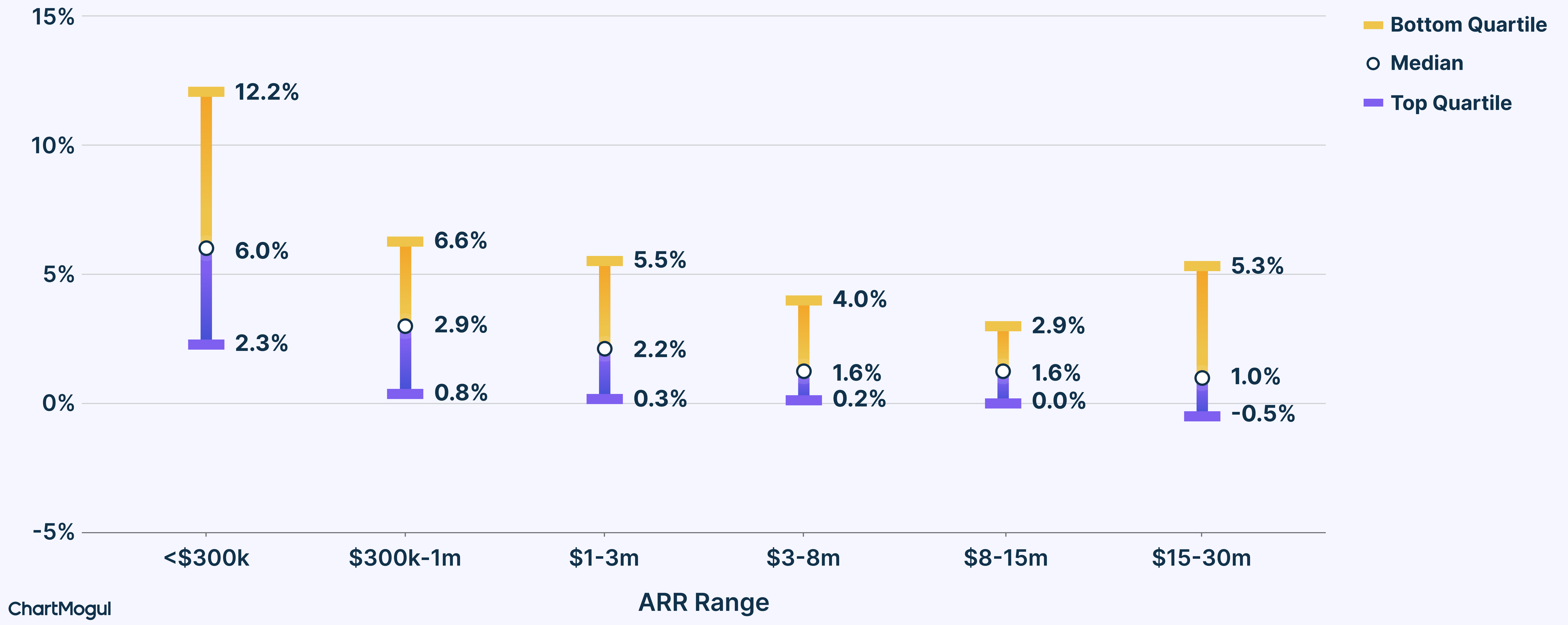
In analytics, it’s up to you and your team to agree on which metrics you want to track. But the key is to track them consistently using the same definitions and analytics. It will help you to notice any month-over-month or year-over-year changes and how your product and marketing initiatives correlate to that.

Olga Berezovsky, Senior Manager, MyFitnessPal & Author, Data Analysis Journal

Churn is high in the initial stages. As you scale and hone in on your ICP, churn decreases. SaaS businesses should target a negative net MRR churn rate

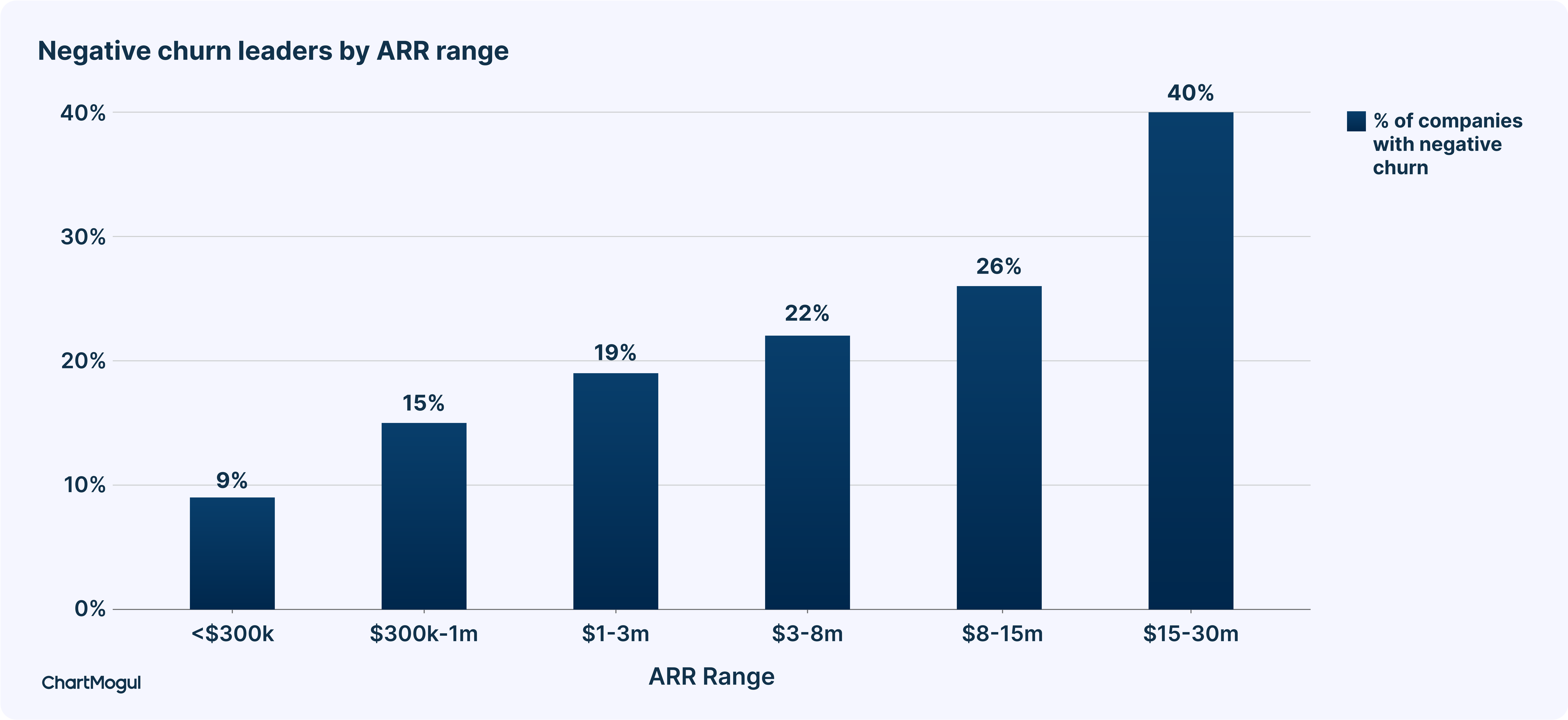
The monthly net MRR churn rate is higher in the initial stages of company building but decreases as the company grows. To be considered among the best, you should have a net negative churn (i.e. net MRR churn rate <0%).

Monthly net MRR churn rate (%) by ARR range



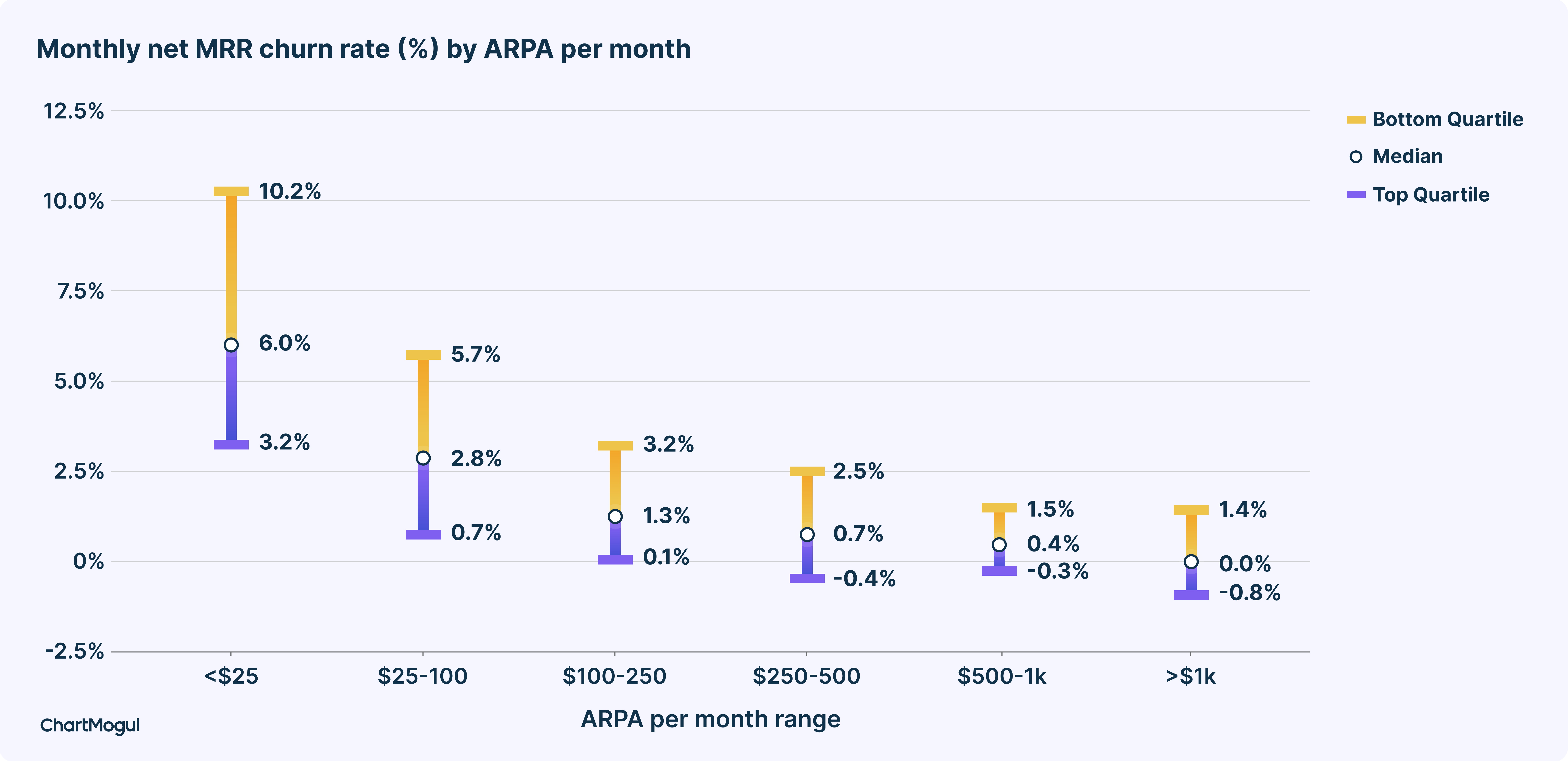
40% of SaaS businesses with ARR in the $15-30m range have negative churn

How can your business achieve negative churn? By building a pricing model that has an expansion loop within it. This is the only sustainable way to get to negative churn. No matter what you do, customers are always going to churn. You need to try to figure out a way to expand revenue from those who stay.



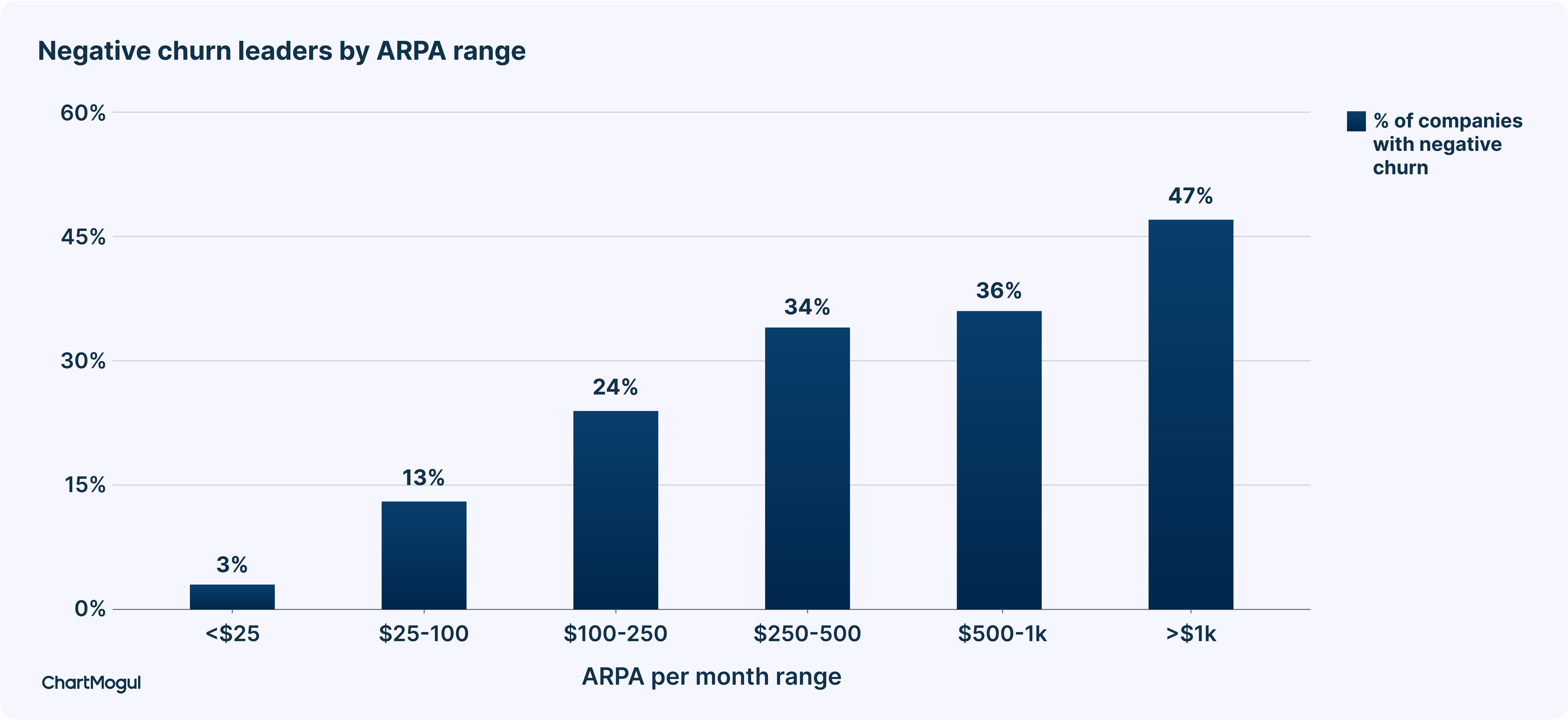
The average business with ARPA over $1k has negative churn

The higher the ARPA, the lower the monthly net MRR churn rate. This is because of lower gross churn and higher expansion revenue at higher ARPAs



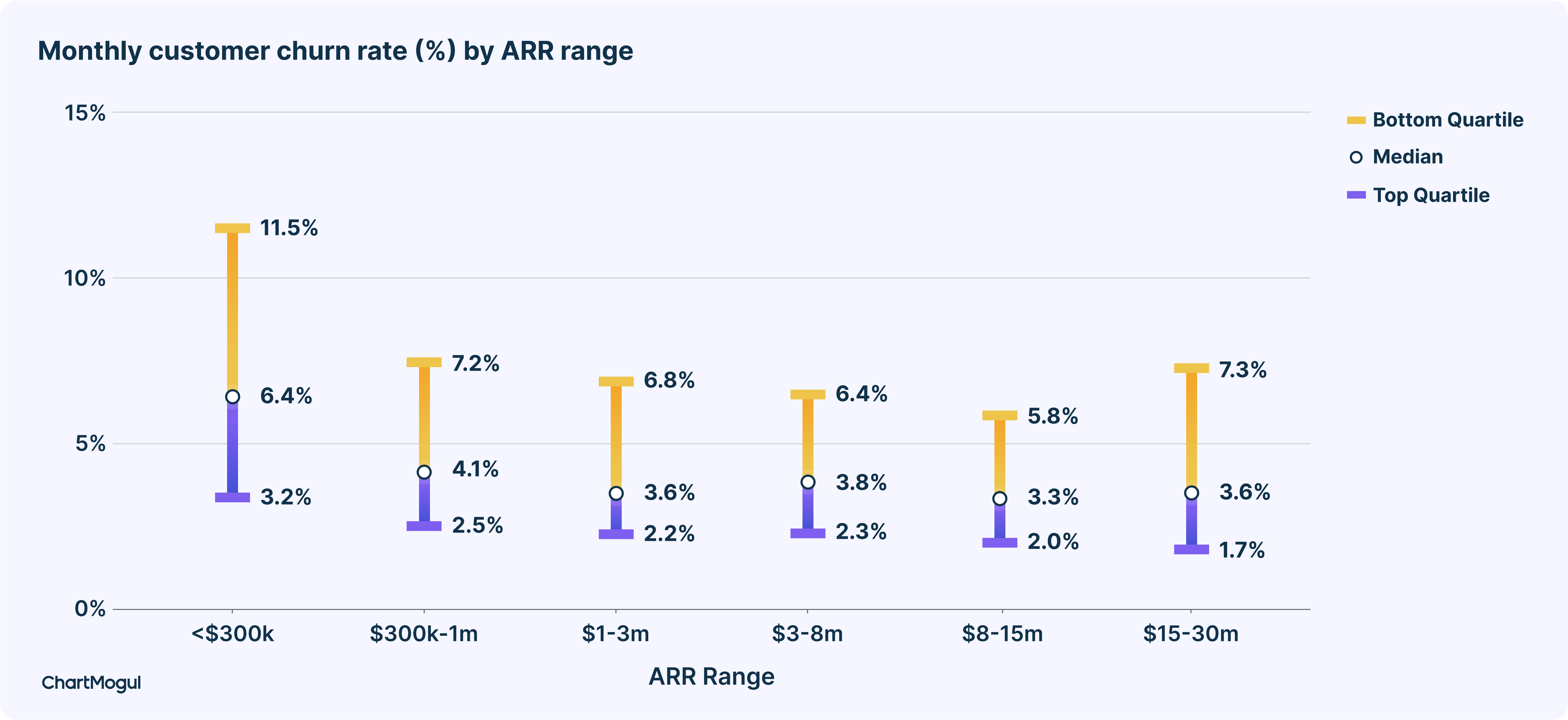
47% of businesses with ARPA per month over $1k have a negative net MRR churn rate

At higher APRA ranges, expansion starts to drive a lot of revenue, which contributes to negative churn. The impact is so prominent that at higher ARPA net negative churn is more of a norm than an exception. 47% of companies with ARPA more than $1k/month have net negative churn.



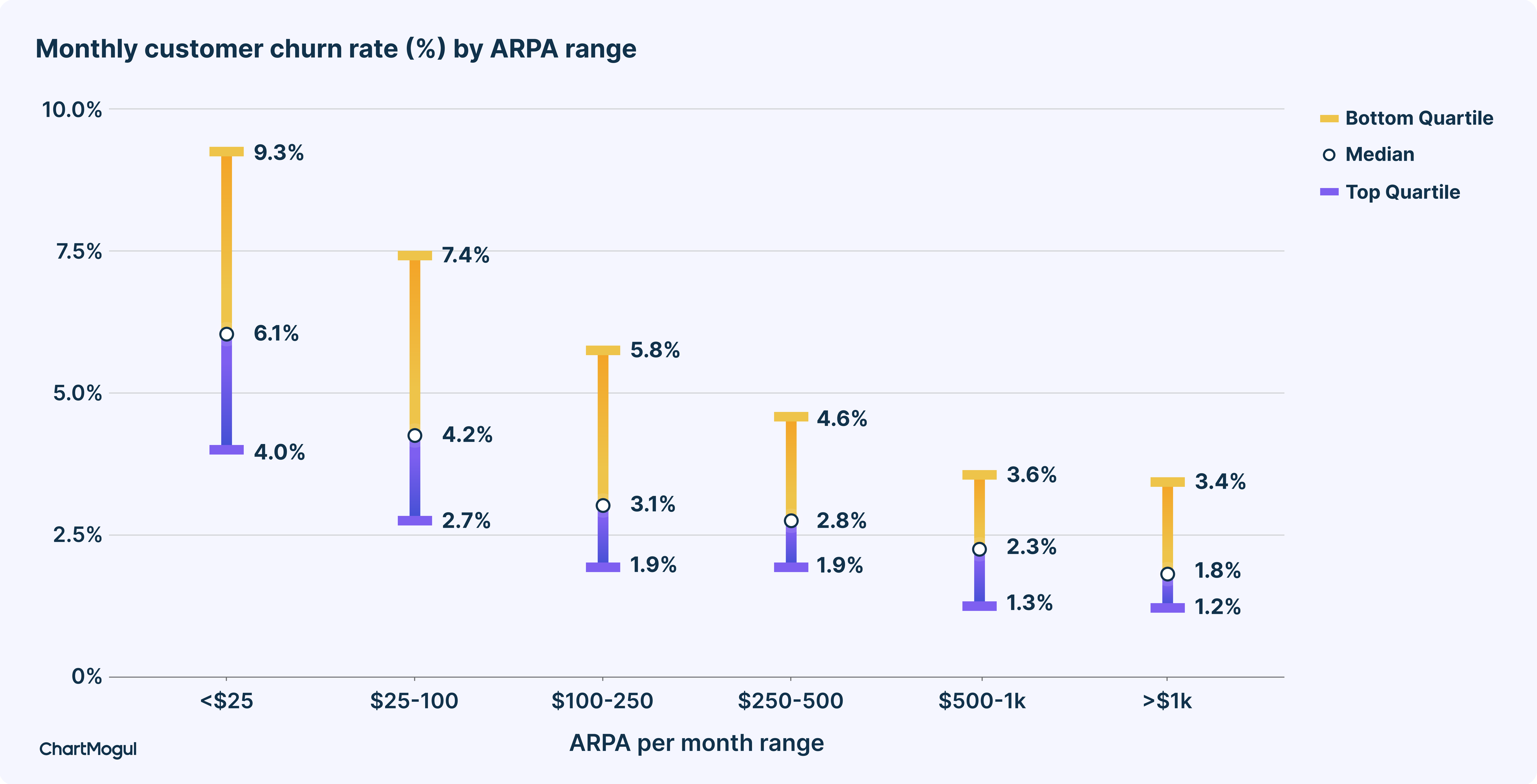
As companies find product market fit and grow, the median customer churn rate initially declines and then stabilizes at 3-4% per month

If you have managed to bring down your customer churn rate to 1-2% per month, you are already among the top 25% of all SaaS companies. Instead of focusing on bringing down churn further, there may be more pressing things to tackle.



The higher the ARPA, the lower the customer churn rate

The best companies should target a customer churn rate of less than 2% per month. This goes down to <1% as your ARPA increases.



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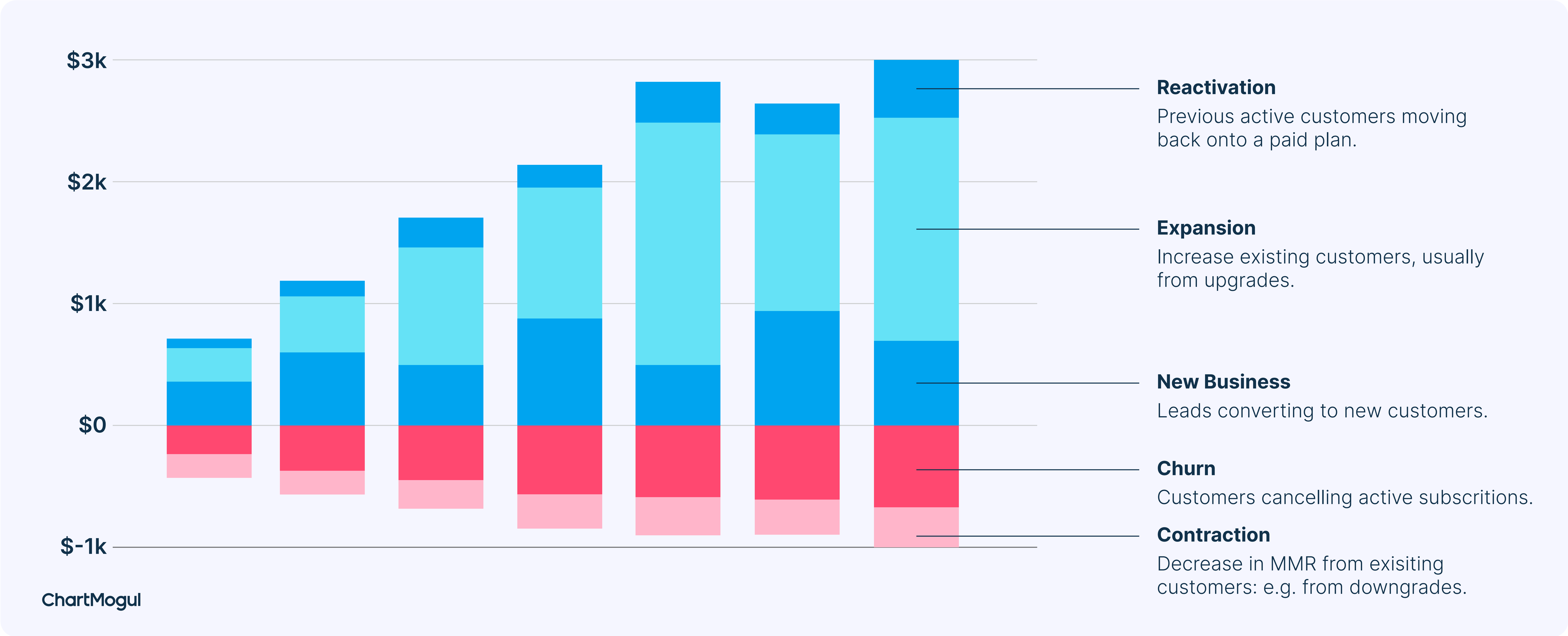
CHAPTER 5

ARR Movement Benchmarks

- What percentage of revenue added comes from expansion?
- How much revenue do you lose to contraction and churn?
- Does reactivation even matter?

ARR Movement Overview

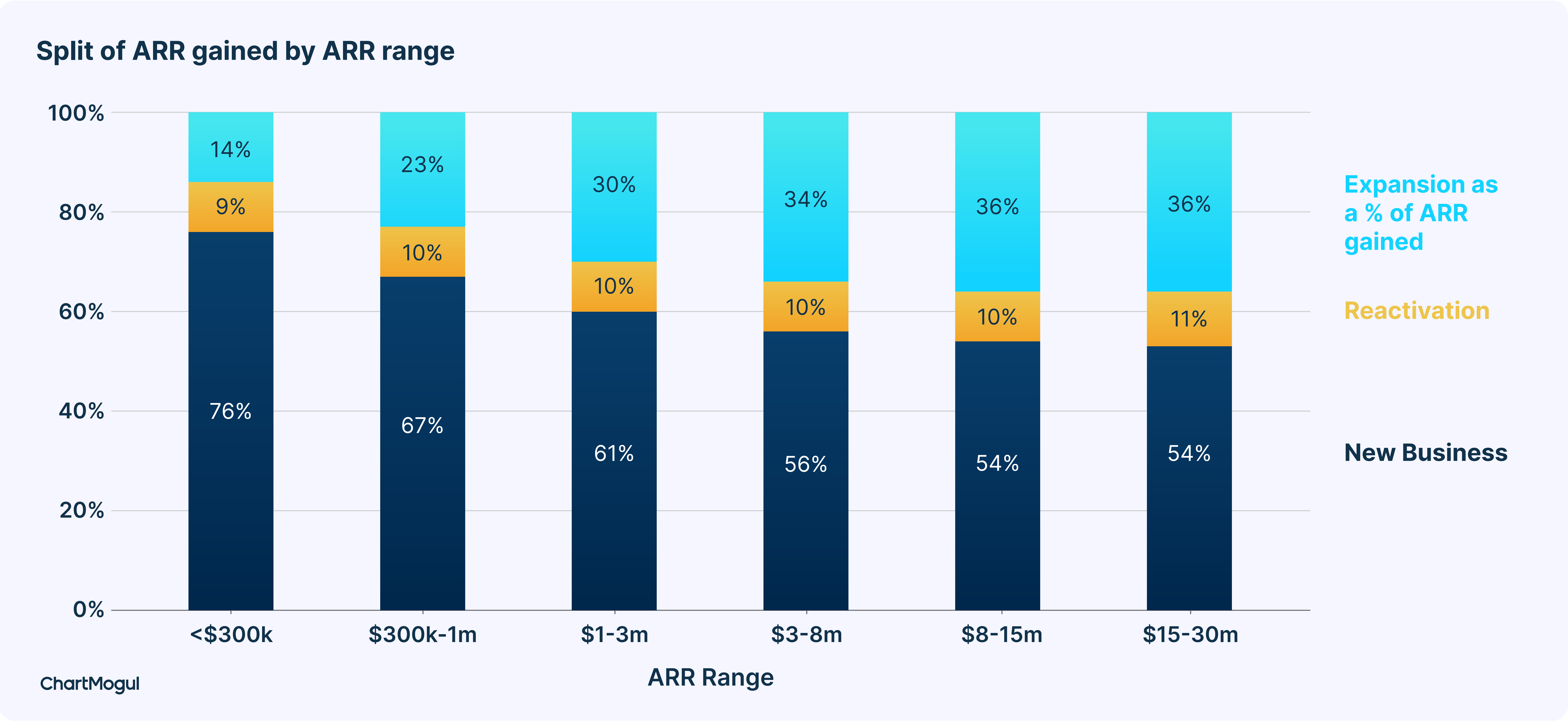
Your ARR moves every day. It's because of all the underlying dynamics of customers joining, upgrading, canceling, or downgrading. You can break down your ARR movements into:



Breaking ARR into its component parts gives a useful insight into your business. For example, it's helpful to know what proportion of your ARR added comes from expansion vs. new business.

The higher the ARR, the higher the percentage of revenue that comes from expansion

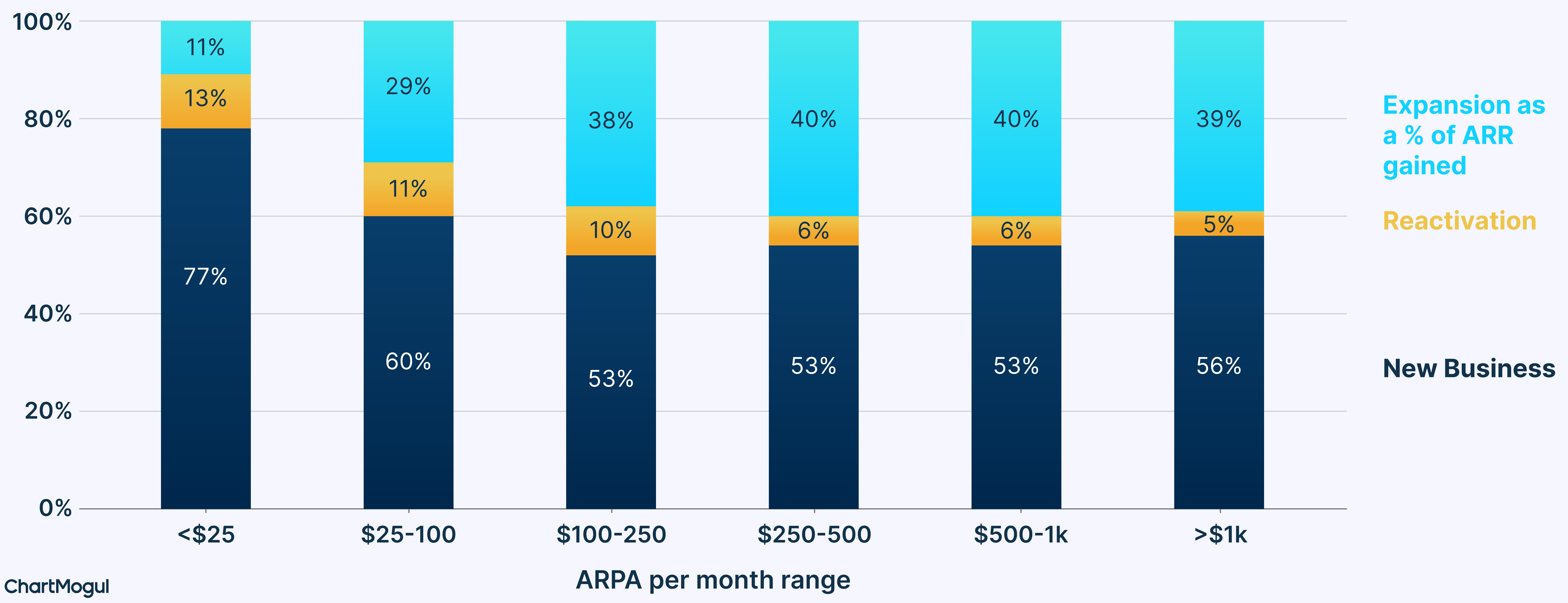
New business ARR makes up for the largest portion of ARR added for the majority of companies. Once you are at scale, the contribution of expansion starts to increase. 36% of revenue added for SaaS business with ARR in the range of $15-30m comes from expansion. If you are not upselling or cross-selling to your existing customers you are missing out on key growth opportunities.



The higher the ARR, the higher the percentage of revenue that comes from expansion

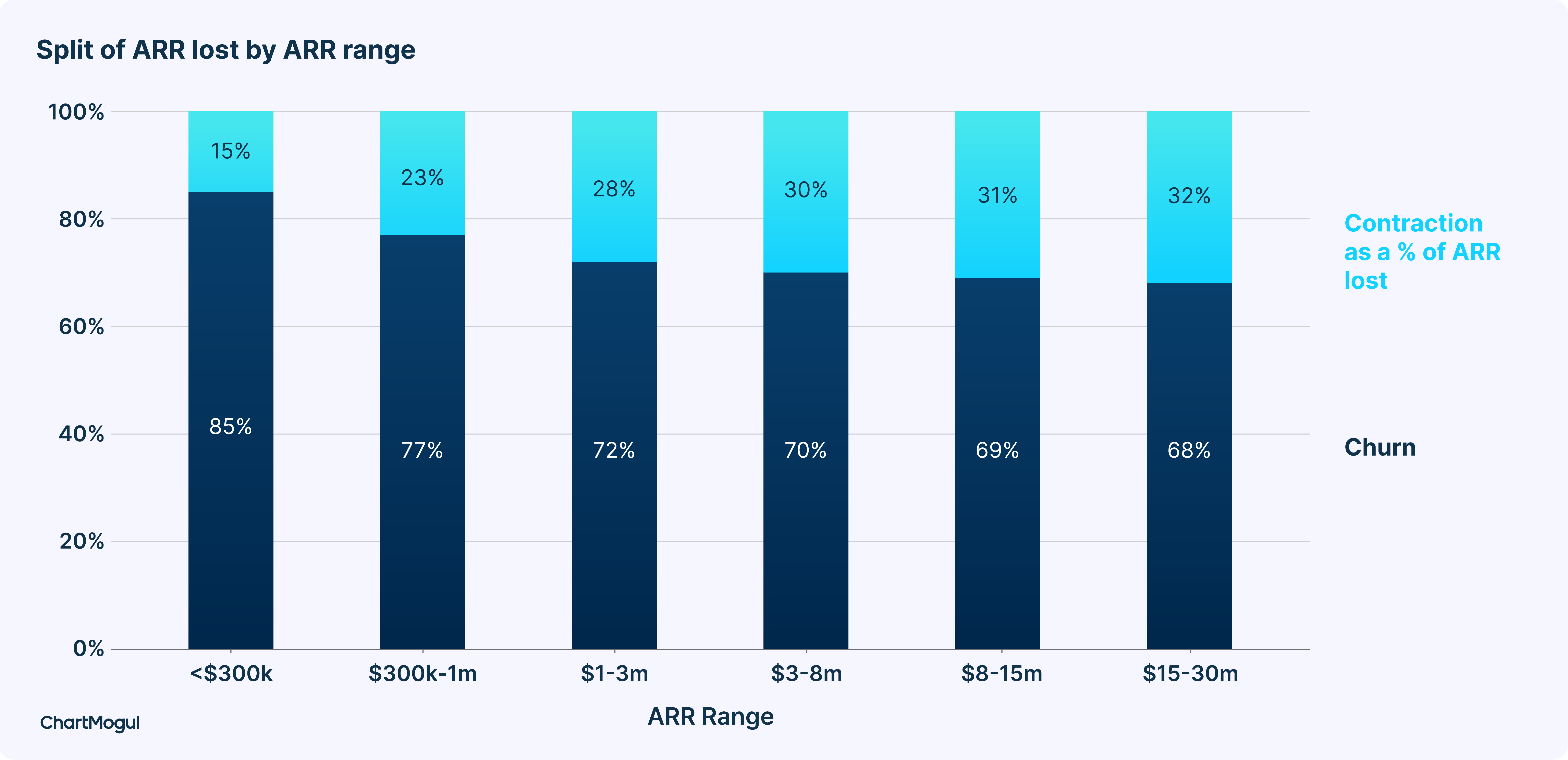
A higher expansion contribution is great. It showcases your ability to upsell and cross-sell existing customers. But be aware that if a majority of your new revenue comes through expansion it is a red flag. It is a sign that your primary market is saturating. Also, note how reactivation is higher for B2C businesses (ARPA <$25/month). This is a result of discounting and well-run reactivation campaigns in B2C businesses.

Split of ARR gained by ARPA range



Churn makes up for the bulk of the ARR lost but managing contraction becomes more important as you scale

For companies with ARR over $1 million, churn accounts for roughly 70% of ARR lost while contraction accounts for 30% of ARR lost.



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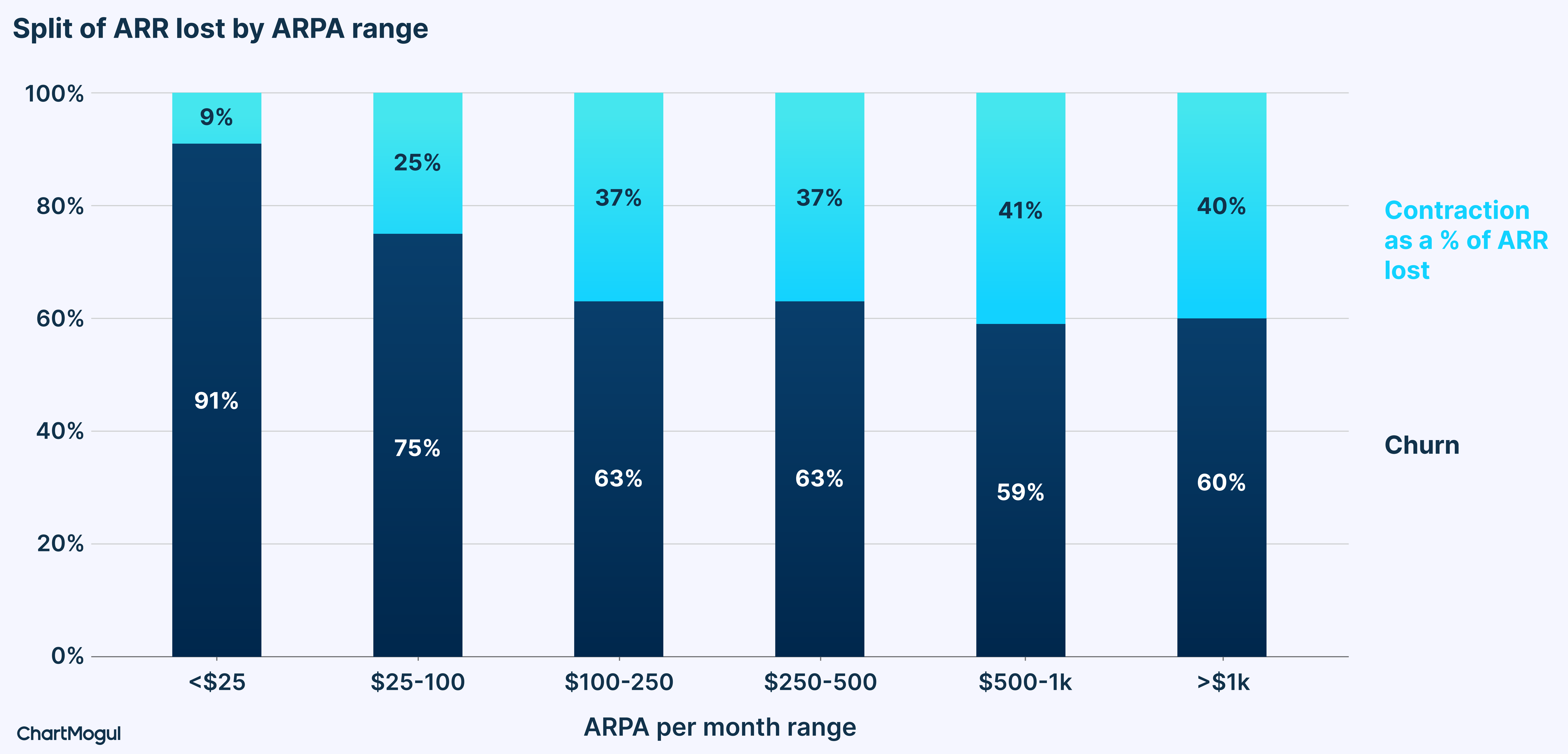
Contraction accounts for 40% of ARR lost at higher ARPAs

Churn is the largest contributor of ARR lost at any ARPA range. But at higher ARPAs contraction starts to bite. It can be as high as 40% of all ARR lost.



Methodology

We analyzed anonymized and aggregated data from ChartMogul to calculate all aggregates. Unless stated otherwise, we calculated aggregates over 12 months ending Mar ‘23. We only included companies that were active for the full 12 months.

All aggregates for ARPA per month ranges exclude companies less than $300k in ARR.

Glossary

ACV: Annual Contract Value

ARPA: Average Revenue per Account = (Total Revenue / Total # of customers)

ASP: Average Sale Price = (Total New Business MRR / Total # of customers acquired)

ARR: Annual Run Rate (MRR x 12)

B2B: Business to Business (usually ARPA >$25/month)

B2C: Business to Consumer (usually ARPA <$25/month)

GRR: Gross Retention Rate, also known as Gross Dollar Retention or just Gross Retention

MRR: Monthly Recurring Revenue

NRR: Net Retention Rate, also known as Net Dollar Retention or just Net Retention

New Biz: New Business

PMF: Product-Market Fit

SMB: Small and Medium Business

YOY: Year-over-Year

About ChartMogul

ChartMogul is a subscription analytics platform and a CRM that exists to help B2B SaaS companies succeed. Founded in 2014 by Nick Franklin, ex-Zendesk, and backed by Point Nine, thousands of SaaS companies use ChartMogul today to identify their growth levers and deeply understand the dynamics of their subscription business.

ChartMogul gives you live reporting on your ARR, LTV, Retention and Churn, with in-built tools for cohort analysis and segmentation.

The platform is built to fit seamlessly into your data stack; combining and normalizing subscription data from multiple sources to give you and your team an accurate view of your business.

On top of this, ChartMogul is committed to providing in-depth and insightful research into trends, benchmarks and key topics affecting the B2B SaaS industry. To keep on top of our latest releases as well as industry news, join 23,000 others by subscribing to the SaaS Roundup.

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