PART 2. METRICS

Part 1. Core Elements
Part 2. Metrics
Part 3. Onboarding
Part 4. Adoption
Part 5. Expansion
Part 6. Core Skills

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Recurring Revenue is the Result of Recurring Impact

The result of an operating model are:

1. Interoperability
2. A Common Language
3. Standardized Data Model

There are three kinds of metrics to run a business:

M1-M9. Volume metrics are in part indicative of effectiveness. For example; ARR, the amount of customers, etc.

CR1-CR7. Conversion metrics are in part indicative of efficiency. For example: Retention Rate, Usage etc.

These standardized metrics allow us to calculate performance metrics.

PM1-PM4. Whereas Conversion metrics are based on metrics in the same domain, Performance metrics compare a variety of metrics against each other such as Cost and Lifetime Value.

Example metrics:
- Prospect
- MQL
- SQL
- SAL
- WIN
- ACTIVE
- LIVE
- ARR
- LTV
**Growth Rates**

Growth rates refer to the percentage change of recurring revenue within a specific time period, often a year. Common growth rates are:

- Rapid Growth 10-20%
- Hypergrowth 20-40%
- Double/Triple 100%/200%
- Blitz Scaling: >1000%

**Key metrics:**

- Annual Revenue (VM5)
- Onboarding Churn (CR5)
- Retention/Churn (CR6)
- Expansion/Contraction (CR7)
- Length of the contract (t7)

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**Net Revenue Retention/GRR**

Measures how much your annual (ARR) or monthly recurring revenue (MRR) has grown or shrunk over time. It factors in customer expansion as well as revenue churn from losing a customer as well as downgrades.

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**Rule-of-40/50/60**

The Rule of 40 states the combined revenue growth rate and profit margin should equal or exceed 40%. SaaS companies above 40% are generating profit at a rate that’s sustainable, whereas companies below 40% may face cash flow issues.

**Key metrics:**

- Growth Rate
- Profit (Cost)
  - Customer Acquisition Cost
  - Cost To Serve
  - Cost of Raw Goods

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**LTV:CAC Ratio**

The Customer Lifetime Value (LTV) to Customer Acquisition Cost (CAC) ratio measures the relationship between the lifetime value of a customer and the cost of acquiring that customer.

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