

Startup Metrics

UCSD Startup

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Financial Metrics

Burn rate: The rate at which cash is decreasing. Gross Burn is monthly expenses, Net Burn is incoming cash - Gross Burn.

Runway: How long you'll be alive with your current cash and Burn Rate.

Financial Metrics

Bookings: the value of a contract between the company and the customer. It reflects a contractual obligation on the part of the customer to pay the company.

Revenue: recognized when the service is actually provided or ratably over the life of the subscription agreement.

Revenue Run Rate: Revenue per period of time, often annual. Eg. multiply monthly or quarterly revenue by 12 or 4.

Financial Metrics

Recurring Revenue: Revenue that comes in on a recurring basis - eg. a subscription.

Product vs Services Revenue: Revenue recognized from the value of the product vs revenue from sources such as services.

Financial Metrics

Cost of Goods Sold (COGS): Direct costs attributable of production (and sale) of the goods sold in a company

Gross Profit = Revenue - COGS

Average Revenue Per User (ARPU) = Revenue / # of Users

Customer Metrics

Custom Acquisition Cost (CAC): The full cost of acquiring a customer - marketing, sales, fees, etc

Active Users: #of users interacting with your product in a time period

Month-over-Month Growth (MoM): Rate of growth of users/revenue/etc by month

Customer Metrics

Churn Rate: Lost users. $\#$ of lost users this month / $\#$ of users last month

Customer Lifetime = $1 / \text{churn rate}$

Churn rate = 2% per month, customer lifetime = $1/0.02 = 50$ months

Lifetime Value (LTV): Net profit from a customer over the full lifespan of customer.

$$\text{LTV} = (1 / \text{churn rate}) * (\text{ARPU} * \text{margin})$$

Recurring Revenue Example

ARPU: \$250/month, profit margin = 80%

CAC is \$5000. Is it worth acquiring customers?

Churn rate: 3% per month

Customer lifetime = $1 / 3\% = 33.3$ months

Average customer lifetime = 33.3 months, monthly profit = \$200/month,

LTV = $33.3 * \$200 = \$6,660$

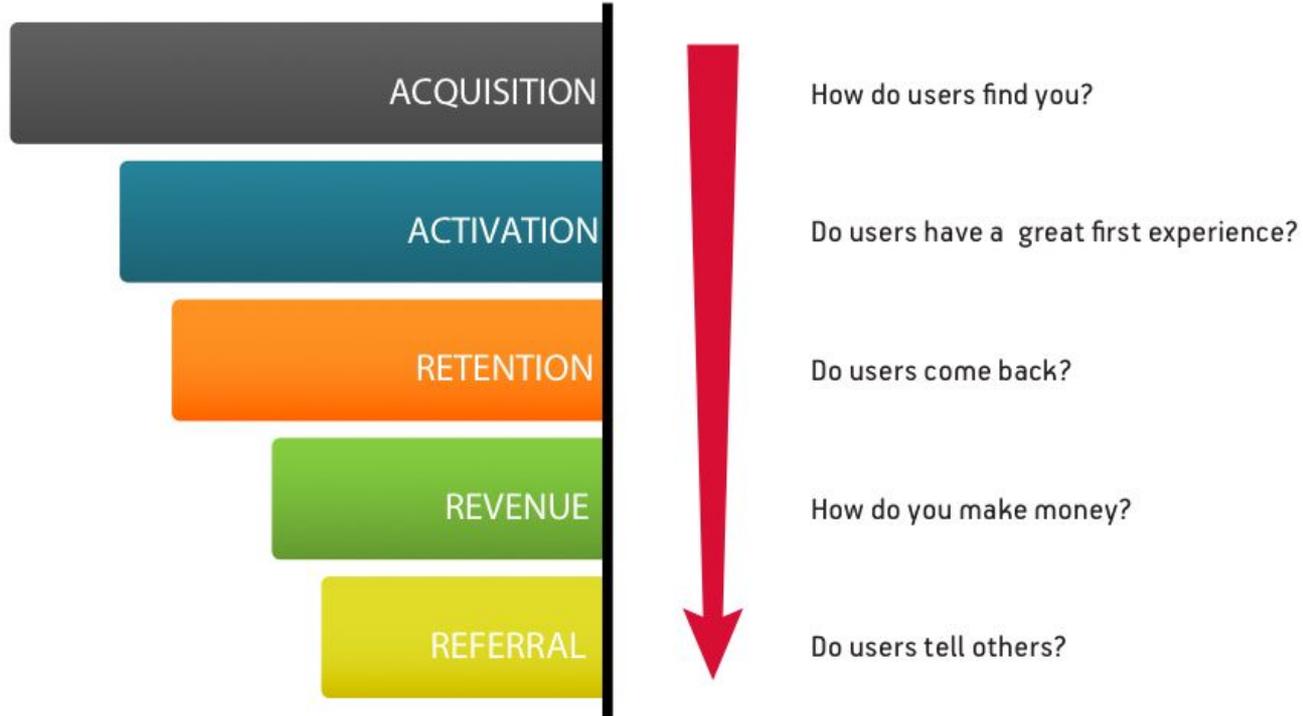
Churn rate: 5% per month

Customer lifetime = $1 / 5\% = 20$ months

Average customer lifetime = 20 months, monthly profit = \$200/month,

LTV = $20 * \$200 = \$4,000$

AARRR Metrics



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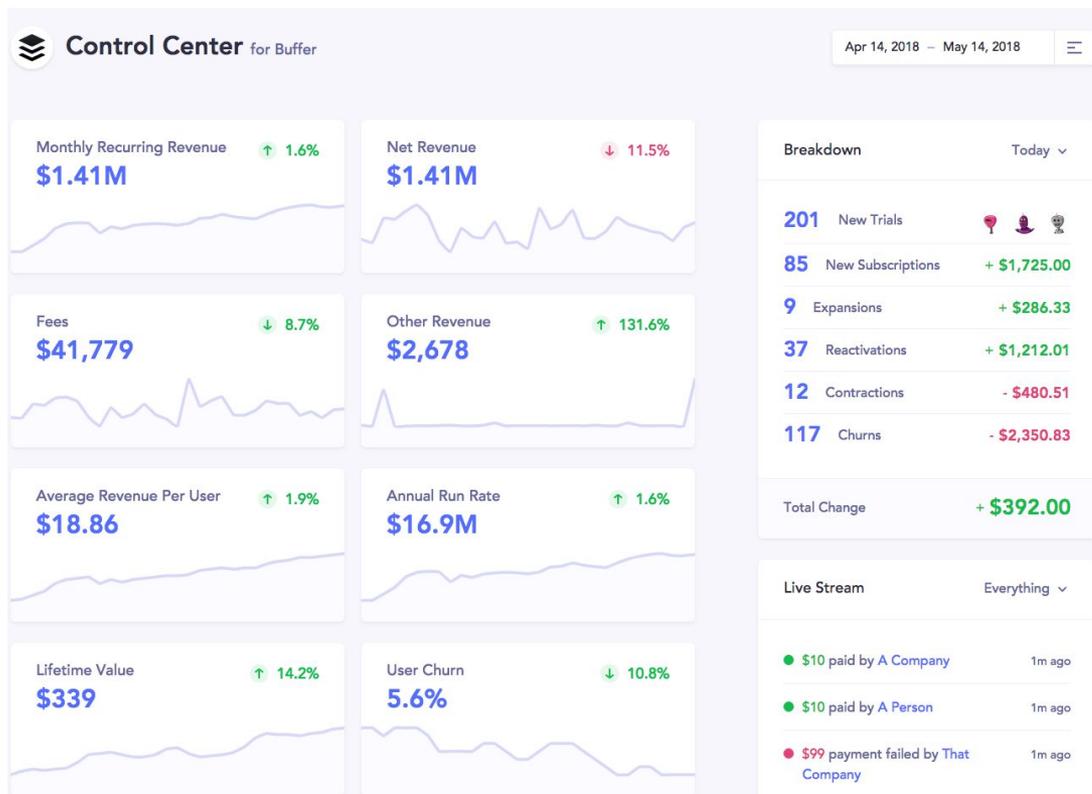
Real, live metrics from real startups:

<https://baremetrics.com/open-startups>

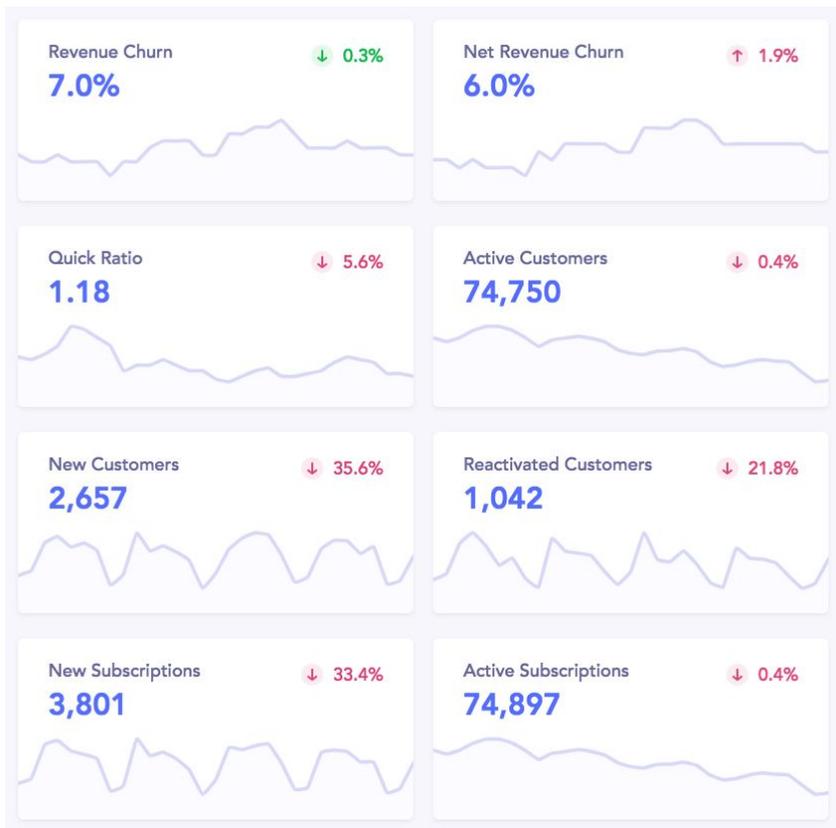
Example:

Buffer: \$16M annual revenue

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