

SUBSCRIPTION ANALYTICS 101





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8 Metrics for Measuring Success

Learn some of the key metrics you need to know to analyze the success of subscription models

Subscription models that earn recurring revenue from customers are more popular than ever.

Today, customers can pay monthly or annual subscriptions for many goods and services including:









But to measure subscription success and gain insights from **subscription analytics**, it's important to start with the basic metrics.

Annual Recurring Revenue (ARR) ARR is a measure of how much revenue a business gets from

subscription payments each year.

ARR = sum of all the annual customer payments from subscription services

(Or)

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ARR = (sum of monthly customer payments) * 12 months

Monthly Recurring Revenue (MRR) MRR is a measure of how much revenue a business gets from

subscription payments each month.

MRR = sum of all the monthly customer payments
(Or)

(sum of all the annual customer payments)

12 months

Average Revenue Per Account (ARPA) ARPA, also known as Average Revenue Per User (ARPU) is a measure of how

(sum of all monthly payments from all customers)

much money each subscription customer pays per month on average.

the number of customers

Note: Some people calculate this on a yearly basis instead of a monthly basis.

CAC is a measure of the costs related to winning a new customer, including the costs of marketing and sales.

Customer Acquisition Cost (CAC)

Total cost of acquiring customers

number of customers acquired

Customer Churn Rate is a measure of how many customers stop using the subscription service, and typically does not include new customers.

Customer Churn Rate

(No. of customers at the beginning of the month

Customer Churn Rate =

- No. of customers at the end of the month)

No. of customers at the beginning of the month

service loses because of customer cancellations or plan downgrades.

Revenue Churn Rate

Revenue Churn Rate is a measure of how much revenue a subscription

(sum of MRR contraction from cancellations and downgrades)

Revenue Churn Rate =

Net Retention

and downgrades + MRR expansion from upgrades)

the starting MRR at the beginning of the month

(Starting MRR – sum of MRR contraction from cancellations

existing customers, including upgrades, downgrades, and cancellations.

Net retention is a measure of how much recurring revenue a subscription service gets from

Net Retention

starting MRR at the beginning of the month

Lifetime Value

Lifetime value is a measure of how much money can be made from the average

subscriber for as long as they stick with the subscription service.

ARPA
Lifetime Value =

Customer Churn Rate

At LatentView Analytics, our subscription analytics experts seize the opportunity to make sense of big data and turn them into insights for our clients

to make data-driven business decisions.

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Get in touch with us at marketing@latentview.com to know more.