# Chapter 7: Metrics That Matter

Early-stage investors don’t just fund ideas – they invest in *evidence* that a business is on a promising trajectory. This evidence often comes in the form of key metrics. By focusing on the right key performance indicators (KPIs), founders can demonstrate their startup’s momentum, efficiency, and market demand in concrete terms. In this chapter, we’ll explore which metrics actually influence investment decisions in early-stage startups and how to present them in context. We’ll define each metric, differentiate vanity metrics from meaningful ones, look at real-world benchmarks (for SaaS, consumer, and marketplace businesses), and discuss how to weave these numbers into a compelling story and pitch deck. The tone here will blend the professional with the conversational – think of it as a friendly expert guiding you through the numbers that matter most.

## Why the Right Metrics Matter to Investors

Not all metrics are created equal. Seasoned investors have limited time and see countless pitches, so they zero in on the figures that signal a startup’s **growth, efficiency, and ROI** potential[[1]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=Metrics%20can%20largely%20be%20broken,its%20growth%2C%20efficiency%20and%20ROI). The right metrics, tracked over time, provide a snapshot of your startup’s overall health and help build trust with investors[[2]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=From%20MRR%20to%20ARR%20to,trends%20and%20overall%20business%20health). In fact, strong command of your metrics and financial literacy can significantly boost investor confidence during fundraising[[3]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=Beyond%20helping%20evaluate%20for%20growth%2C,fundraising%20rounds%20to%20secure%20funding).

Think of metrics as the *receipts* for your business story – solid data backing up your claims. As one venture article put it, investors hear “trust me” all day, but **financial metrics are your receipts**[[4]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=1,a%20crash%20course%20with%20Reality). For example, saying your customer acquisition cost is paid back in 6 months instead of 12 shows you’ve done your homework and understand your business economics[[4]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=1,a%20crash%20course%20with%20Reality). High-level growth charts alone (the classic hockey-stick graph) aren’t enough; investors want to see the engine behind that growth[[5]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=given%20investors%20the%20perfect%20excuse,%E2%80%9D). Good metrics reveal the health of that engine (e.g. if revenue is growing but churn is 10% monthly, you’re “scooping water with a colander,” and growth isn’t sustainable[[6]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=you%E2%80%99re%20not%20throwing%20money%20at,Guides%20Strategic%20Decisions)). Metrics also guide strategic decisions and frame your ask: rather than just “we need $X to grow,” you can say “we need $X to cut our CAC payback by 3 months and expand to two new markets,” giving a clear, targeted plan for the investment[[7]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=Should%20you%20double%20down%20on,their%20capital%20accelerates%20your%20growth). In short, tracking the right numbers helps you *quantify* your story in a way that investors appreciate.

## Key Metrics That Influence Early-Stage Investment

Early-stage startups might track dozens of numbers, but a handful of KPIs tend to carry the most weight with investors. Below, we focus on six core metrics and why they matter: **Customer Acquisition Cost (CAC), Lifetime Value (LTV), Recurring Revenue (MRR/ARR), Burn Rate & Runway, Churn & Retention,** and **Growth Rate**. These metrics collectively tell a story about your startup’s traction and unit economics. We’ll define each and discuss how to use them effectively.

### Customer Acquisition Cost (CAC)

**Definition:** Customer Acquisition Cost is the average cost to acquire a new customer. In simple terms, it’s calculated by dividing all your sales and marketing expenses by the number of new customers acquired in a given period[[8]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=2). For example, if you spent $50,000 on marketing in a quarter and gained 1,000 new customers, your CAC is $50.

**Why it Matters:** CAC answers a fundamental question: *How much are you spending to get each customer, and is it sustainable?* Investors care about CAC because it speaks to your startup’s marketing efficiency and scalability. If it costs you more to acquire a customer than that customer ever pays you, that’s a red flag. A *low CAC* relative to the revenue each customer brings in suggests you have an efficient growth engine, whereas a *high CAC* may signal inefficiency or expensive growth channels, which can worry investors[[9]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=A%20high%20CAC%20can%20signal,term%2C%20profitable%20relationships).

**Context and Benchmarks:** CAC should never be viewed in isolation – it’s most meaningful when paired with LTV (the value of the customer) or compared to industry norms. A widely cited rule of thumb is to aim for an **LTV:CAC ratio of about 3:1**, meaning you earn about three times what you spend to acquire a customer[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them)[[11]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=%3E%20,it%20costs%20to%20win%20them). This 3:1 ratio implies healthy unit economics: your customers generate three dollars in lifetime revenue for every dollar spent acquiring them. If the ratio is much lower (say 1:1), you’re barely breaking even on acquisition, and if it’s too high (say 5:1 or more), it might mean you’re not investing enough in growth. Another key metric is **CAC payback period** – how long it takes to recoup the cost of acquiring a customer. Early-stage startups often strive for a CAC payback under 12 months[[12]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=Ryan%20Clements%2C%20Early,at%20HSBC%20Innovation%20Banking). In consumer businesses, for instance, a payback under a year (spend $100 to acquire a customer who spends $100 within the first year) is a common benchmark of efficiency[[13]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=The%20rate%20at%20which%20new,company%20over%20the%20next%20year).

CAC can vary widely by business model and channel. For example, one study found **average CACs** (paid vs. organic) around \$60–\$70 in e-commerce, about \$135 (organic) up to \$200 (paid) for B2C SaaS products, and significantly higher for B2B SaaS (often \$200–\$340 or more)[[14]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=Industry%20Organic%20Paid%20B2C%20SaaS,68%20Legal%20Services%20%24189%20%24457). This means a consumer app with viral growth might have a low CAC (or virtually \$0 if growth is purely organic), whereas an enterprise SaaS startup might spend hundreds or thousands of dollars to land a single customer via a direct sales force. Understanding where you fall on this spectrum is important – if your CAC is higher than typical for your model, be ready to explain why (e.g. maybe you’re in a tough market, or your LTV is also proportionally higher).

**How to Use It:** Founders should explain CAC in context. Rather than just stating “Our CAC is \$50,” you might say, “Our CAC is \$50, and we’ve managed to reduce it from \$100 over the last year by shifting to higher-ROI channels – improving our marketing efficiency.” Or, “Our CAC is \$50, and with an LTV of \$200, our LTV:CAC is 4:1, exceeding the benchmark 3:1 ratio[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them), indicating a very healthy return on our customer acquisition spend.” This tells investors that you’re not only measuring CAC but also optimizing it and ensuring it’s justified by customer value. If you have multiple acquisition channels, you can highlight how different channels compare (perhaps your CAC on paid ads is \$100 but only \$20 via referrals – showing potential to scale the cheaper channels). Always connect CAC back to strategy: for example, if you’re asking for funding, explain how that capital would affect CAC (“With this funding, we plan to invest in content marketing, which we project will lower our blended CAC by 20% while reaching more customers”). Such context demonstrates that you understand the levers of your growth engine, not just the numbers.

### Customer Lifetime Value (LTV)

**Definition:** Customer Lifetime Value (LTV, sometimes written as CLV) is the total revenue (or gross profit) you expect to earn from a customer over the lifespan of your relationship[[15]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=,you%20can%20expect%20from%20a). In other words, it’s how much a single customer is worth to your business from first purchase to last. LTV is often estimated by taking the average revenue per customer per period and multiplying it by the average customer lifespan (and sometimes adjusting for gross margins or discount rates). For subscription businesses, a rough LTV can be calculated as *Average Monthly Revenue per Customer × Gross Margin × Average Months a Customer Stays*. For transactional businesses, it might involve average order value and repeat purchase rates.

**Why it Matters:** LTV represents the *value* side of the equation to CAC’s *cost* side. Investors look at LTV to judge whether acquiring customers is profitable in the long run. A high LTV means each customer brings in a lot of revenue over time (due to repeat purchases, subscription renewals, upsells, etc.), which can justify higher upfront acquisition costs. Conversely, if your LTV is low – for example, if users try your product once and never return – then even a small CAC might be too high. **Pairing LTV with CAC is critical**: as mentioned, a strong business model typically has LTV at least 3× CAC[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them). This indicates you’re not “underwater” on customer acquisition. Additionally, LTV is a gauge of product-market fit and customer satisfaction: if LTV is growing (customers are staying longer or spending more), it signals they find ongoing value in your offering.

**Context and Benchmarks:** What counts as a “good” LTV can vary by industry. In SaaS, multi-year subscriptions or high retention can lead to LTVs in the thousands of dollars per customer. In consumer apps, LTV per user might be much smaller (perhaps only \$20–\$50 in an ad-supported app, for instance) but compensated by a large volume of users. Rather than memorizing a specific dollar benchmark, investors often care about **LTV relative to CAC** and the **assumptions behind LTV**. For early-stage companies, LTV can be tricky to measure (you might not have years of data yet), so it’s often based on assumptions about churn or repeat purchase rates. Be ready to justify how you estimated LTV. For example, “We have six months of data; our monthly retention is 90%, so we project an average customer lifespan of 10 months, and with \$50 monthly revenue per user, LTV is \$500.” If comparable companies or industry research suggests typical LTV or retention rates, you can use those as a yardstick. A fintech app, for instance, might know that industry average LTV per user is \$300, so if yours is \$400, that’s a positive sign to highlight.

**How to Use It:** When discussing LTV, always tie it back to **customer retention and value expansion**. You could say, “Our LTV is \$900, driven by a high renewal rate and customers expanding their usage over time. In fact, our net revenue retention is 105%, meaning existing customers are increasing their spend with us year-over-year[[16]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=strong%20customer%20satisfaction%20and%20loyalty,you%E2%80%99re%20proactive%20about%20mitigating%20risks) – this boosts LTV and indicates strong product-market fit.” On the other hand, if your LTV isn’t high yet, focus on the trajectory: “Our LTV today is \$100, but it’s been rising each quarter as we improve retention. We expect it to reach \$200 based on increasing repeat purchases.” Also, connect LTV to CAC: “With an LTV of \$300 and CAC of \$100, we’re right at that healthy 3:1 LTV:CAC ratio[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them). This suggests we can invest more in acquisition confidently.” If LTV is lower than desired, it might be a chance to discuss plans to improve retention or upsells (e.g. “We’re launching new features that we expect will increase customer lifespan, boosting LTV by 20%.”). The key is to show that you’re managing the *lifetime relationship* with the customer, not just the first sale.

### Monthly Recurring Revenue (MRR) and Annual Recurring Revenue (ARR)

**Definition:** **Monthly Recurring Revenue (MRR)** is the amount of revenue your business reliably generates each month from subscriptions or contracts. **Annual Recurring Revenue (ARR)** is simply MRR multiplied by 12 (plus any annual contracts), representing the yearly run-rate of recurring revenue. These metrics are most applicable to SaaS and other subscription-based models where customers pay a regular fee. For example, if you have 100 customers paying \$500 per month, your MRR is \$50,000 and your ARR is \$600,000. Investors love MRR/ARR because it’s predictable income – as long as you maintain or grow your customer base, that revenue recurs each period.

**Why it Matters:** Recurring revenue is considered the holy grail for many startups because it indicates stability and potential for compounding growth. Unlike one-off sales, recurring revenue means you don’t start from zero each month. Investors in early-stage companies often view MRR/ARR as a primary indicator of traction: how much have you monetized your product and how fast is that revenue growing? A rising MRR curve demonstrates momentum. Moreover, MRR/ARR is a basis for many other metrics (like growth rate, churn calculations, and efficiency metrics like ARR per employee or burn multiple). It also helps in valuation discussions, as many investors will think in terms of multiples of ARR. For instance, reaching \$1M ARR is a well-known milestone that can open doors to certain Series A investors. In fact, best-in-class SaaS startups can reach \$1M ARR astonishingly fast (sometimes in ~9 months after launch), whereas the median startup might take around 2.5 years to hit that mark[[17]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=Time%20to%20%241M%20ARR). Showing where you stand on this trajectory gives investors a sense of your growth velocity.

**Context and Benchmarks:** When presenting MRR/ARR, it’s crucial to give **growth context**. Don’t just say “Our MRR is \$20k.” Add whether it’s up from \$10k last quarter (i.e. 100% growth) or whatever the trend is. Many investors expect to see rapid growth at early stages – often **double-digit percentage growth month-over-month** if you’re post-launch and scaling. In fact, the **top decile of SaaS startups grow 10–17% per month in their early stages**[[18]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=These%20charts%20show%20what%20kind,those%20yearly%20figures%20shown%20above). That translates to roughly 3–5× (300–500%) year-over-year. Of course, not everyone is in the top decile; a more typical healthy growth for a seed-stage startup might be ~15–20% monthly (which is ~4× annually), whereas later on, growth naturally slows to more like 5–10% monthly by Series A/B stage[[19]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=The%20top%20decile%20of%20SaaS,per%20month%20when%20starting%20out)[[20]](https://www.allied.vc/guides/how-to-value-your-early-stage-startup#:~:text=,experienced%2C%20capable%20teams). As a rough guide, one VC suggests that aiming for **20–30% monthly revenue growth** in the early stages (with strong retention alongside it) is a sign of a promising company[[20]](https://www.allied.vc/guides/how-to-value-your-early-stage-startup#:~:text=,experienced%2C%20capable%20teams). Meanwhile, the overall **median SaaS business grows about 2–3% per month (≈30% annually)** across stages[[21]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=Image), but early-stage startups should be higher than that median if they hope to attract venture investment. It’s wise to also mention the sources of revenue: e.g. how much comes from new customer acquisition versus expansion of existing customers (net retention). If, for example, your ARR grew 3× in the last year (200% growth) from \$100k to \$300k, an investor will be interested in not just the fact of growth but how you got there and if it’s repeatable.

For non-SaaS or consumer startups that don’t have recurring subscription fees, you might use **Monthly Revenue** (or Monthly Gross Merchandise Value, etc.) as an analog. The key is to show a consistent, ideally growing, revenue stream. Marketplaces often track **Gross Merchandise Value (GMV)** – the total value of transactions – as a top-line figure of activity, but it’s important to pair GMV with net revenue (or **take rate**, the percentage of GMV you take as revenue) so it isn’t a vanity metric. For example, a marketplace could boast \$10 million GMV, but if their take rate is only 5%, their actual revenue is \$500k. Increasing GMV is good, but as one banking report notes, **GMV can be a vanity metric whereas net revenue (or Net Merchandise Value) is more “sanity”**[[22]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=merchandise%20value%20,expenses%20on%20your%20revenue%20growth). So if you’re in a marketplace or e-commerce model, consider presenting both GMV and net revenue or take rate for clarity.

**How to Use It:** Always show **MRR/ARR in context of time** – a chart or at least a growth rate. For instance: “Our MRR is \$50,000 as of last month, up from \$30,000 six months ago (roughly 10% month-over-month growth consistently).” If possible, use a visual: a line chart of MRR over the last 12 months speaks volumes to an investor. (In a pitch deck, a simple chart showing your revenue climb can be one of the most compelling images.) Emphasize the momentum: “We’re currently growing ARR at 150% year-over-year, putting us on a path to cross \$1M ARR by next year.” If you have seasonality, explain it but focus on the underlying positive trend. Also break down the components if relevant: e.g., “Our ARR is \$500k, primarily from subscriptions. Our average revenue per user is \$5k/year, and we’ve been able to increase ARPU by upselling premium plans (our ARPU rose 15% this year)[[23]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=metrics%20highlight%20the%20predictability%20of,profitability%20of%20your%20customer%20base).” This shows you’re not just adding customers but also increasing value per customer. If you’re pre-revenue, of course you won’t have MRR – in that case focus on other traction metrics (like active users or pilot contracts) and indicate when you expect revenue to kick in. But for any company with paying users, MRR/ARR is going to be one of the first numbers investors want to know.

### Burn Rate and Runway

**Definition:** **Burn Rate** is the rate at which your startup is spending money in excess of revenue – essentially, net cash flow per month when it’s negative. It’s often expressed as a monthly figure. For example, a burn rate of \$50k means the company spends \$50k more than it brings in every month (a net loss of \$50k per month). There are actually two flavors: *gross burn* (total cash outflows per month) and *net burn* (cash outflows minus any cash coming in). If you’re generating some revenue, net burn is the more relevant number for how fast you’re depleting cash[[24]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=Burn%20rate%20tracks%20how%20quickly,health%20and%20planning%20for%20growth). **Runway** is how many months you have before you run out of cash, given your burn rate. It’s calculated as Current cash balance ÷ Net burn per month. For instance, if you have \$500,000 in the bank and you burn \$50,000 per month, your runway is 10 months[[25]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=For%20instance%2C%20if%20your%20startup,4). This is a critical metric for startups, as it answers the existential question: *How long can we survive if we don’t raise more money or become profitable?*

**Why it Matters:** Investors are acutely interested in your burn rate and runway because it reflects your financial discipline and the urgency of your funding needs. A high burn rate means you’re spending aggressively (which could be investing in growth, but also could signal inefficiency). Runway tells an investor how long you have before you *must* raise additional capital or hit profitability. Generally, investors prefer to see that a startup, post-fundraise, will have **12–18 months of runway**[[26]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=,trends%20for%20steady%20cash%20flow). This gives enough time to hit meaningful milestones before needing the next funding round. In tighter fundraising environments, even 24+ months runway is advised[[27]](https://www.jpmorgan.com/insights/business-planning/does-your-startup-have-enough-runway-to-survive#:~:text=Runway%20www,months%20is%20more%20frequently%20recommended). If your runway is dangerously short (say <6 months) at the time of pitching, that raises concern – it suggests you might be in a cash crunch (the dreaded “going off a cliff” scenario) unless new funding comes through very soon. In contrast, a startup that manages its burn well to extend runway demonstrates prudence and resilience, which investors appreciate (especially in times when capital is harder to come by).

Another related concept is **Burn Multiple**, which is an efficiency metric: how much are you “burning” in order to add each dollar of ARR. For example, a burn multiple of 2x means you burn \$2 for every \$1 of new annual revenue added. A lower burn multiple indicates more efficient growth. As a benchmark, early-stage SaaS startups (~$1M ARR range) often have burn multiples around 2–3, and they improve as the company grows[[28]](https://www.scalevp.com/insights/benchmarking-saas-growth-and-burn/#:~:text=Benchmarking%20SaaS%20Growth%20and%20Burn,This). An ideal scenario is a burn multiple of <1 (meaning you’re adding more revenue than you’re burning in the same period, essentially very efficient growth or already profitable)[[29]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=Burn%20Multiple). While burn multiple is more of a Series A/B conversation, it’s good to understand because it ties burn to growth achieved.

**Context and Benchmarks:** When discussing burn, provide context on **why you are burning what you are**. Early-stage startups are usually not profitable – burning cash to fuel growth is expected. But the key is whether the burn is yielding results (growth) and how long it can be sustained. A burn of \$200k/month might be reasonable for a startup scaling rapidly with lots of revenue, but the same burn would be alarming if you have no revenue and only \$400k in the bank (2 months of runway!). As a general rule, ensure you are raising enough to have at least ~12–18 months runway after the round[[26]](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=,trends%20for%20steady%20cash%20flow)[[30]](https://www.svb.com/business-growth/cash-flow-management/startup-burn-rate-cash-flow/#:~:text=Understanding%20What%20Your%20Startup%27s%20Burn,18%20months), and be ready to explain how you will use the funds to hit milestones within that time. In recent years, there’s increased pressure even on early startups to be *efficient* with capital. One venture banking VP noted there is “more pressure than ever for founders (even in early-stage startups) to focus on reducing their net burn rate”[[31]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=%3E%20,reducing%20their%20net%20burn%20rate) – meaning the days of “grow at all costs” are tempered by a need to show you can manage cash responsibly.

The stage of your startup will dictate burn: A pre-seed company might burn very little (just the founders on sweat equity, maybe \$10k/month for basic expenses), whereas a venture-backed seed company might be burning \$50k–\$100k/month or more as they build product and team. By Series A, burn could be in the hundreds of thousands per month. The important thing is not the absolute number but the efficiency and the runway. Also, consider mentioning where the money is going: e.g., “Our burn is currently \$80k/month, mostly driven by product development and a growing engineering team, which we deem necessary to accelerate our roadmap.” If you have recently cut burn or have plans to reduce burn (perhaps to extend runway), that can be worth noting too, as it shows adaptability.

**How to Use It:** Be straightforward and transparent about your burn and runway. For example: “We are burning \$40,000 per month right now, primarily on salaries and customer acquisition. With \$500,000 in the bank, that gives us roughly a 12-month runway. This round of funding will add an additional 18 months of runway, getting us to **24 months total**, which will allow us to reach profitability on our current growth plan.” This kind of statement reassures investors that you are planning ahead to *not run out of money*. It’s also effective to connect burn to milestones: “Our plan is to intentionally increase burn to \$70k/month after the raise as we scale marketing, which would still give us ~18 months of runway. By month 18, we project reaching \$1M ARR, which should put us in a position to either be close to break-even or raise a strong Series A.”

If your burn rate is dropping while revenue is rising, highlight that. For example: “Over the last three quarters, we’ve managed to lower our burn rate from \$100k to \$60k even as our ARR grew 2x. This improving burn efficiency boosts our investor appeal – it shows we can grow without simply burning huge piles of cash.” As Phoenix Strategy Group notes, **if you’re lowering burn rate while increasing revenue, it signals good resource management and boosts your chances with investors**[**[32]**](https://www.phoenixstrategy.group/blog/7-key-financial-metrics-every-startup-founder-must-track#:~:text=,performance%20data). You can also mention any cost-cutting or efficiency measures you’ve taken, but be careful to frame them as smart optimizations rather than desperate cuts. The overall message should be: *We know our cash runway, we manage our burn carefully, and we have a plan to use new funds wisely.* This builds credibility that you won’t squander the investment.

### Churn and Retention

**Definition:** **Churn rate** is the percentage of customers (or revenue) that you lose in a given period. For example, if you started the month with 100 customers and 5 left by the end of the month, your monthly customer churn rate is 5%. **Retention rate** is the flip side of churn – it’s the percentage of customers you *retain* over a period. In the above example, the monthly retention rate would be 95%. There are actually a few types of churn/retention metrics: - **Customer churn/retention:** Measures the count of customers lost or kept. - **Revenue churn/retention:** Especially in SaaS, you track revenue churn (how much ARR/MRR is lost from cancellations or downgrades) and its complement **Net Revenue Retention (NRR)**, which factors in upsells. NRR can exceed 100% if your existing customers grow their spend. For instance, an NRR of 110% means you not only retained all your revenue, you added +10% via upsells/cross-sells from the same cohort of customers, offsetting any losses[[16]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=strong%20customer%20satisfaction%20and%20loyalty,you%E2%80%99re%20proactive%20about%20mitigating%20risks). - **Gross vs. Net retention:** Gross retention typically excludes upsells and focuses purely on how much of the base stayed; net includes upsell gains. Early-stage startups may mostly focus on customer counts and maybe gross revenue retention, unless upselling is already a big part of the model.

**Why it Matters:** Churn and retention are *vital signs* of product health and customer satisfaction. High churn is a warning sign: it can indicate that customers aren’t finding lasting value, the product might have issues, or the market is very competitive. For investors, churn is directly linked to growth potential. If you’re losing customers almost as fast as you gain them, it’s like pouring water into a leaky bucket – you have to run harder just to stay in place[[33]](https://www.saas-capital.com/blog-posts/what-is-a-good-retention-rate-for-a-private-saas-company/#:~:text=Generally%20speaking%2C%20higher%20growth%20is,The%20opposite%20is%20also%20true). Conversely, strong retention (low churn) suggests that once you acquire a customer, you can keep them (and possibly expand them), which makes your revenue growth more sustainable and efficient. Especially for subscription businesses, **recurring revenue is only as “recurring” as your retention rate allows**. An oft-cited business adage is that it’s much cheaper to retain a customer than acquire a new one – studies have pegged it as *5×, 10×, even up to 25× cheaper* to keep an existing customer than to win a new one[[34]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=Net%20Revenue%20Retention%20%26%20Churn). So investors see good retention as a sign of efficient future growth (because your CAC investments won’t “walk out the door” quickly). Additionally, if you have *net* retention above 100% (meaning upsell revenue outpaces any churn losses), that’s a huge green flag indicating you have a “land and expand” model where customers grow more valuable over time – a hallmark of many successful SaaS companies[[16]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=strong%20customer%20satisfaction%20and%20loyalty,you%E2%80%99re%20proactive%20about%20mitigating%20risks).

**Context and Benchmarks:** Churn benchmarks vary by industry and product type: - For B2B SaaS, an **annual logo churn** (customer count churn) in the low double-digits (e.g. 5–15% per year) is often considered good. That corresponds to monthly churn around 1% or less. Enterprise SaaS with sticky contracts might achieve <5% annual churn (95%+ annual retention), whereas SMB-focused SaaS might see higher churn, perhaps 20%+ annually, because small businesses can be fickle or churn due to going out of business, etc. Many top-tier SaaS companies report NRR around 110-120% and gross annual retention maybe ~85-90% or higher[[35]](https://www.saas-capital.com/blog-posts/what-is-a-good-retention-rate-for-a-private-saas-company/#:~:text=%E2%80%9Conly%E2%80%9D%20increased%20Net%20Revenue%20Retention,optimized)[[36]](https://www.saas-capital.com/blog-posts/what-is-a-good-retention-rate-for-a-private-saas-company/#:~:text=Retention%20is%2C%20of%20course%2C%20the,cohort%20over%20time%20for%20consistency). As a private early-stage startup, hitting NRR >100% early is excellent but not always achievable if you don’t have expansion pricing yet – so focus on minimizing gross churn. - For consumer apps or marketplaces, retention patterns can be very different. A free consumer mobile app, for example, might lose the majority of new users within a few months (it’s not uncommon for only 20-30% of users to still be active after 90 days for an average app). What matters is whether you retain your *core* engaged users and/or convert some to paying customers. In e-commerce or marketplace, you might look at repeat purchase rates or cohort behavior (e.g. what percentage of buyers in month 0 made another purchase by month 3 or 6). **Example:** A marketplace might find that 30% of new customers make a second purchase within 3 months – that’s a form of retention metric to improve. If you have a subscription in consumer (like a subscription box or a premium service), then similar churn metrics to SaaS apply (monthly churn, etc.). - For **subscription-based consumer products**, a monthly churn under 5% might be decent (which implies roughly half the subscribers might last a year on average). For **enterprise SaaS**, monthly churn ideally is well under 1%. Always consider the norm for your model: if your churn is higher than typical, you’ll need a convincing strategy to improve retention or a model that compensates with high growth.

**How to Use It:** When presenting churn/retention, transparency and context are key. If your churn is high, don’t hide it – instead, explain what you’re doing to improve it. For instance: “Our monthly churn was 8% early last year, but we’ve reduced it to 4% by implementing better onboarding and customer support. We aim to get it under 3% in the next two quarters.” This shows you acknowledge the issue and have a plan. If your churn is low, definitely tout that: “Our annual customer retention is 90%, which is top-tier for our sector – customers are sticking around because they derive ongoing value.” If you can, translate retention into LTV: “Our strong retention yields an average customer lifespan of 3 years, which directly drives our high LTV.”

For businesses with expansion revenue, mention NRR: “Including upsells, our Net Revenue Retention is 105%[[16]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=strong%20customer%20satisfaction%20and%20loyalty,you%E2%80%99re%20proactive%20about%20mitigating%20risks), meaning our existing customers collectively grow their spend with us by 5% annually. This negative churn accelerates our growth.” If you have any cohort charts or data (e.g. cohort retention curves), those can be powerful to include in an appendix or discuss qualitatively: “Our 6-month user retention is 30%, which compares favorably to the ~20% benchmark we see in similar consumer apps. Cohorts from more recent months are retaining even better than earlier ones, indicating our product improvements are working.” Such narrative turns retention into a story of continuous improvement.

Remember to link churn back to the bigger picture: high churn will increase your CAC (because you need to reacquire customers), whereas low churn means you can grow on top of an expanding base. Also, investors value honesty – every startup faces some churn. Highlighting not just the good but also how you’re tackling the bad builds credibility. As one finance blog advises, **provide full context around metrics and don’t cherry-pick only positives; showing that you track and transparently report metrics like churn (even if challenging) can foster trust**[**[37]**](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=How%20Transparency%20Builds%20Investor%20Confidence).

### Growth Rate

**Definition:** Growth rate typically refers to the rate at which your key metrics (revenue, users, etc.) are increasing over time, usually expressed as a percentage. For startups, the most pertinent is often **revenue growth rate** (e.g. month-over-month MRR growth, or year-over-year ARR growth). It can also apply to user base growth or engagement growth if you’re pre-revenue. For example, if last month’s revenue was \$50k and this month is \$60k, that’s a 20% month-over-month growth rate. If last year’s revenue was \$200k and this year you’re on track for \$600k, that’s a 200% year-over-year growth. Growth rate can be measured over different periods (weekly, monthly, quarterly, annually) depending on the granularity of your business. Early-stage startups often talk in terms of monthly growth, since things change fast at the start.

**Why it Matters:** Growth is the lifeblood of startups – venture investors are typically looking for businesses that can scale quickly. A strong growth rate signals market demand and momentum. It shows that whatever you’re doing (product, marketing, sales) is working to rapidly increase your traction. Slow growth, on the other hand, may indicate difficulties in finding product-market fit or scaling. Especially in the early stages, investors often have an *informal bar* for what constitutes “impressive” growth. Paul Graham once noted a target for early startups in accelerators like YC is around 5-7% **weekly** growth in key metrics as a sign of a potentially great startup – which actually equates to roughly 20-30% monthly[[38]](https://www.allied.vc/guides/how-to-value-your-early-stage-startup#:~:text=,experienced%2C%20capable%20teams). While not every company will hit that, the broader point is: higher is better, and consistency matters too. Rapid growth that’s sustained over several months or quarters is very compelling evidence of momentum.

**Context and Benchmarks:** We’ve touched on some benchmarks in the MRR/ARR section: top performing young startups might double or triple revenue annually (i.e. 100-200%+ year-over-year growth). **Best-in-class SaaS companies can roughly double ARR each year in early years**[**[39]**](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=stages,growth%20rate%20slows%20down)**, whereas the median is closer to ~30% annual**[[40]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=%2A%20Best,each%20year)[[41]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=The%20top%20quartile%20of%20SaaS,annually). In practical terms: - If you’re at $10k MRR now, investors might hope to see a path to $100k MRR in 1-2 years, for example. That’s the kind of trajectory that catches attention. - For user growth in a consumer app, raw percentages can be huge early (going from 1,000 to 5,000 users is +400%). That’s fine, but as numbers get bigger, investors will look at absolute gains too (adding 50k users a month, etc.). If possible, segment growth by quality of user (e.g. active users, paying users) so it doesn’t come off as a vanity metric. - Another famous heuristic for venture-backed growth is the “**T2D3**” formula for SaaS (Triple, Triple, Double, Double, Double): triple your revenue two years in a row, then double three years in a row. This is an aggressive ideal scenario to go from say \$1M to \$3M to \$9M to \$18M to \$36M to \$72M ARR over five years. Not many achieve it, but it’s a mental model for hypergrowth. At earlier stages, a more modest but still solid target might be to roughly triple from seed to Series A (e.g., \$200k ARR to \$600k+ ARR in a year), depending on your starting point.

It’s also worth noting that **growth should be evaluated alongside efficiency**. In the current climate, growth at any cost is out of fashion – investors also ask, *how much burn is going into that growth?* This is where metrics like burn multiple (mentioned earlier) or the **Rule of 40** come in at later stages (the sum of your growth rate and profit margin ideally being 40% or above). At early stage, you might not have profits, so Rule of 40 isn’t directly relevant, but you should be prepared to discuss whether your growth is driven by huge spend or more organic means.

**How to Use It:** When you talk about growth, make sure to clarify: - The **timeframe** and **baseline**: “We’re growing 20% month-over-month for the past 4 months” is great and specific. Or “Year-over-year, we grew 300% from 2022 to 2023 (from \$100k to \$400k revenue).” - If the growth rate has fluctuations or recent changes: maybe growth was only 5% MoM last year but now it’s 15% MoM after a pivot – explain that storyline. - Compare to a benchmark if it puts you in a good light: “Our monthly growth has been ~12% consistently, placing us in the top quartile of SaaS startups our size[[42]](https://chartmogul.com/blog/good-monthly-growth-rate/#:~:text=lifecycle).” - For user metrics, emphasize *active* users or engaged users growth, not just signups. “Our registered users grew 50% QoQ, but more importantly our **active user base** grew 60%, indicating improving engagement.” - Include **growth drivers** in your explanation: “We’re seeing accelerating growth thanks to our referral program – our Q3 growth was 40% QoQ compared to 25% in Q2. We plan to double down on what’s working.” This gives investors confidence that you know *why* you’re growing and how to keep it going. - Don’t shy away from discussing future growth targets as well: “If we maintain even a 10% monthly growth, we’ll roughly 3× our ARR in a year, reaching ~\$900k ARR by next summer, which is in line with companies that raised successful Series As.” Forward-looking statements like that show you understand the pacing needed for venture scaling.

In summary, your growth rate is the heartbeat of your startup – present it with enthusiasm but also realism. If it’s very early and you only have a couple of data points, you can share those but caution that it’s early. If growth is strong, let it shine (with charts if possible). If growth is modest, focus on consistency and plans to accelerate. Above all, tie growth back to the market demand: rapid growth implies customers are excited about your product, which is exactly what investors want to see.

## Vanity Metrics vs. Meaningful Metrics

When discussing metrics with investors, it’s crucial to focus on the ones that truly matter – the **meaningful metrics** – and avoid getting distracted by **vanity metrics**. Vanity metrics are numbers that may look impressive at a glance but don’t provide actionable insight into the health or trajectory of the business[[43]](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=Vanity%20metrics%20are%20metrics%20that,on%20the%20surface%20but%20hold). They often lack context and can be misleading. For example, “10,000 total registered accounts” sounds great, but if only 100 of those are active users, the big number is mostly an ego boost with little substance[[44]](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=telltale%20signs,nothing%20wrong%20with%20thinking%20about). **Vanity metrics make you look good to others but don’t help you understand or improve your business**[**[43]**](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=Vanity%20metrics%20are%20metrics%20that,on%20the%20surface%20but%20hold)**.**

Common examples of vanity metrics include: - **Website pageviews or app downloads:** These can inflate a sense of popularity. However, if those visitors or downloaders don’t convert into engaged users or paying customers, the high counts mean little. A spike in traffic due to a viral blog post is nice, but investors will ask how that translates to sustained user growth or revenue. As the Nielsen Norman Group points out, a telltale sign of a vanity metric is an ever-increasing cumulative number (like total downloads) which, by itself, “doesn’t tell you anything useful” about user experience or business health[[45]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=A%20telltale%20sign%20of%20a,to%20make%20any%20metric%20meaningful). You need context like active usage or conversion rate to make it meaningful. - **Total users or signups (without activity context):** Boasting “1 million users” is a classic vanity move if the majority aren’t active. It’s more meaningful to talk about daily or monthly active users and their retention. In other words, **quality over quantity**. A smaller number of highly engaged users often beats a huge number of drive-by signups. - **Social media likes/follows:** Having 50,000 Twitter followers might look cool, but it’s not a business KPI unless those followers drive customer acquisition or revenue. You could probably purchase fake followers as one article joked, which means the metric can be gamed[[46]](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=3,real%20reflection%20of%20the%20truth). Investors know this and won’t be impressed by raw follower counts or vanity press mentions. - **Gross merchandise value (GMV) without context (for marketplaces):** As mentioned earlier, GMV is important, but touting a massive GMV while ignoring a tiny take rate or high return rates can be misleading (that’s why net revenue or NMV is the “sanity” check[[22]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=merchandise%20value%20,expenses%20on%20your%20revenue%20growth)). GMV growth is a vanity metric if it’s not translating into revenue growth or if it’s unprofitable growth.

So what are **meaningful metrics**? They are metrics tied to your core goals – typically around profitability, growth with retention, and efficiency. These metrics are actionable; changes in them reflect real changes in business performance[[47]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=Summary%3A%C2%A0%20Tracked%20analytics%20metrics%20should,their%20fluctuations%20are%20not%20operational). Meaningful metrics often come with context: they might be a rate, ratio, or something benchmarked, rather than a raw cumulative count[[48]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=A%20telltale%20sign%20of%20a,to%20make%20any%20metric%20meaningful). For instance: - Instead of pageviews, look at **conversion rate** (what percentage of visitors actually do what you want – sign up or purchase). Conversion rate directly informs marketing decisions and reflects user engagement quality. - Instead of total downloads, focus on **active user retention** (what % of those downloads turn into monthly active users, and do they stick around for 3, 6, 12 months?). This metric informs product decisions and shows whether you’re delivering real value. - Instead of gross user numbers, consider metrics like **ARPU (average revenue per user)** or **LTV** and **CAC** – these tie user count to financial viability. - Instead of just “revenue grew to \$X,” share **revenue growth rate** or **cohort revenue retention** – something that shows how revenue is trending and repeating.

A quick test to distinguish vanity vs meaningful is to ask: “Does this metric help me make a decision or change something?”[[49]](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=1,we%20make%20with%20the%20metric) If not – if it just makes us feel good – it’s likely a vanity metric. Another clue: vanity metrics often lack a comparison or context (e.g., a big number without stating what’s good or bad). By adding context, you often turn a vanity metric into a meaningful one[[50]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=your%20product,to%20make%20any%20metric%20meaningful)[[48]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=A%20telltale%20sign%20of%20a,to%20make%20any%20metric%20meaningful). For example, “We have 100,000 users” is vanity. But “We have 100,000 users, *30,000 of which are monthly active*, and that MAU has been growing 15% monthly” is far more meaningful – it highlights engagement and growth.

**Avoiding vanity traps:** It’s easy to get excited by big numbers, especially when pitching. But experienced investors will probe for the substance behind each number. If you present a flashy metric, be ready to answer: “and so what?” For instance, if you mention your app was downloaded 50,000 times in the first month, an investor might ask how many of those users are still active a month later (retention) or how many converted to paying customers. It’s far better if you *preempt* that question by focusing on the latter metrics from the start. This doesn’t mean you should hide your big achievements – by all means, if you hit 1 million downloads and that’s a testament to demand, mention it – but follow it up with the meaningful follow-through: “… and 25% of those downloads became weekly active users, which is a strong conversion by industry standards, and we’re continuing to engage them to maintain a high retention rate.”

**Turning vanity into insight:** If you find you only have vanity metrics available (it happens especially early on, e.g., you might only have signups but little revenue), try to add layers that make them more meaningful. Use ratios, time frames, or comparisons: - Present numbers **per user** or **per cohort**. For instance, instead of saying “total sessions grew to 100k,” say “each active user is doing 5 sessions per week on average, up from 3 a few months ago, indicating increasing engagement.” - Show **trends** rather than isolated figures. An ever-increasing total users chart isn’t as useful as a chart of monthly active users over time or a churn rate improving over time[[48]](https://www.nngroup.com/articles/vanity-metrics/#:~:text=A%20telltale%20sign%20of%20a,to%20make%20any%20metric%20meaningful). - Compare against benchmarks or goals. “Our customer acquisition grew 50% QoQ” is more informative if you add “...which is faster than the 20–30% we had forecast, indicating stronger demand than expected.”

In summary, **be wary of hollow metrics that “skip nuance and context”**[**[51]**](https://www.tableau.com/learn/articles/vanity-metrics#:~:text=how%20your%20business%20or%20department,They%E2%80%99re%20devoid%20of%20substance)**.** Investors will see through those. Instead, focus on the metrics that connect to your startup’s core equation (acquisition, retention, monetization) and that you can explain and defend. By doing so, you build credibility. You show that you’re metrics-driven in the right way – prioritizing **substance over show**. As a founder, falling in love with vanity metrics can mislead you too, so keeping meaningful metrics front and center isn’t just for investor optics, it’s for steering your business effectively.

## Explaining Metrics in Context: Trends and Benchmarks

Now that we’ve covered the *what* of each key metric, it’s time to talk about the *how*: How to present these metrics in a way that truly enlightens (and impresses) your audience. Raw numbers in isolation are of limited value. The context – trends over time, comparisons to benchmarks or targets, and the story behind the numbers – is what turns data into insight. Here are several strategies for providing context when you share your metrics:

* **Show Trends Over Time:** A single data point is just a snapshot; a series of data points forms a trajectory. Investors want to see where you’re *coming from* and *where you’re going*. For every key metric (MRR, CAC, churn, etc.), try to provide historical data and highlight the direction. “Our CAC is \$50 today” means little by itself. But “Our CAC was \$100 a year ago and is \$50 today – we’ve cut it in half through efficient growth initiatives” instantly tells a story of improvement. Likewise, instead of just saying “Churn is 5%,” add “...down from 8% six months ago” (if true). Showing **month-by-month or quarter-by-quarter progression** can be very effective. Graphs are ideal for this: a simple line chart or bar chart can let an investor visually absorb your progress. If you’re presenting slides, consider including a chart for metrics like MRR or user growth. As one finance expert suggests, include visual elements like graphs or dashboards when presenting metrics; just ensure you show the *complete* picture, not only cherry-picked intervals[[52]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=To%20get%20the%20most%20out,month%20basis%20and%20quarterly%20basis).
* **Benchmark Against Industry or Goals:** Context can also come from comparing your metrics to external reference points. Benchmarks can be powerful: *Is your churn low for your industry? Is your growth rate above average?* For example, you might say “Our annual churn is 10%. For context, typical annual churn in B2B SaaS of our size is ~20%, so we’re doing well on retention.” If you have access to industry reports or public company data, use them to your advantage. “Our LTV:CAC is 4:1, whereas many SaaS companies aim for ~3:1[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them). This suggests our unit economics are strong relative to SaaS benchmarks.” Be careful to use relevant comparisons (stage, business model, etc.). If you’re a marketplace, comparing your take rate to other marketplaces can contextualize it (“Our take rate is 15%, which is in line with marketplace peers – e.g., Uber’s is ~20-25%, Etsy ~15%, so we’re in a healthy range and possibly room to expand[[53]](https://stripe.com/resources/more/14-key-marketplace-metrics#:~:text=The%20take%20rate%20is%20a,for%20optimizing%20your%20revenue%20model)[[54]](https://stripe.com/resources/more/14-key-marketplace-metrics#:~:text=match%20at%20L491%20A%20high,strong%20potential%20for%20generating%20revenue).”). If you don’t have industry benchmarks, you can use your own goals or prior periods as reference: “We targeted 10% MoM growth and we’ve been hitting ~12%, exceeding our plan.” That shows you’re executing well relative to expectations.
* **Segment or Break Down the Metrics:** Averages can conceal important dynamics. Providing context might mean breaking a metric into parts. For instance, if you say “Overall churn is 5%,” it might be useful to add “...but churn is higher (8%) for our small-business customers and lower (3%) for enterprise customers. Since we’re shifting toward enterprise, we expect overall churn to keep decreasing.” This kind of segmentation (by customer type, by geography, by cohort) demonstrates depth of understanding. Similarly, for a marketplace: “Our GMV was \$5M last quarter, up 50% QoQ. Our take rate is 10%, so net revenue was \$500k. We anticipate take rate increasing to 12% as we introduce premium features – which would boost net revenue growth even faster than GMV growth.” You’re contextualizing GMV with take rate and strategy.
* **Relate Metrics to Each Other:** Metrics seldom exist in isolation in a business; they influence each other. You can provide context by relating one metric to another. For example: “Our CAC has risen slightly in the last quarter, but that’s because we’ve been going after higher LTV customers – in fact, our LTV is up, so our LTV:CAC ratio has actually improved to 3.5:1[[10]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=One%20of%20the%20most%20important,you%E2%80%99re%20spending%20to%20earn%20them).” Here you’re explaining a potential concern (rising CAC) with another metric (LTV growth). Another example: “Our growth rate slowed in Q2, but that’s largely because we intentionally focused on improving retention and quality of growth. As a result, our churn dropped from 7% to 4%, which sets us up for healthier growth in Q3 and beyond.” This interconnected storytelling makes you look like a master of your business dynamics.
* **Be Open About Challenges and Trade-offs:** Context isn’t just about bragging when you beat benchmarks; it’s also about being honest when a metric is underperforming, and providing an explanation or mitigation. Rather than hoping an investor won’t notice a weak spot, address it head-on with context. “Our ARPU is relatively low at \$20/user, whereas some competitors average \$50. The reason is we’re still in the process of upselling premium plans to our large free user base – we see this as upside. In fact, just this quarter we launched a new premium tier and early conversion is promising, which should lift ARPU over the next couple of quarters.” This way, you acknowledge the gap but also outline the strategy to close it. This transparency can actually **build credibility** – investors value when founders are *straight up and provide full context around metrics*, rather than trying to sweep issues under the rug[[37]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=How%20Transparency%20Builds%20Investor%20Confidence).
* **Use Time Frames That Make Sense:** Depending on your business, choose the right interval to discuss. Month-over-month might be too volatile for some metrics (especially if there’s seasonality or sporadic big deals). In such cases, quarter-over-quarter or year-over-year might be more appropriate to show the true trend. Conversely, for a very young startup, year-over-year might be meaningless (e.g., if you only launched 6 months ago). So adapt the context to the data you have. The key is to provide *enough* history to show a trend. If something is very new (say you just started monetizing 2 months ago), you can still show a mini-trend (“We went from \$5k MRR in month 1 to \$8k in month 2 – a good start, though it’s early data”). Even a short trend plus forward-looking expectations can be helpful.

In practice, **investors should come away from your metrics understanding not just “what the number is” but “why it is that way” and “how it’s changing.”** For example, an investor shouldn’t have to guess whether your current growth rate is an uptick or downturn – you should tell them (“last quarter we grew 15%, slightly higher than our 12% in the prior quarter, thanks to improvements in onboarding that got users to activate faster”).

By contextualizing metrics, you demonstrate a higher level of command over your business. You’re not just reporting data; you’re analyzing it. This positions you less as a salesperson reciting numbers and more as a savvy CEO who deeply understands the levers of the business. It builds trust, because it shows you’re measuring what matters and you’re not afraid to discuss the reality (good or bad) of those measurements. Remember, **metrics tell a story over time** – always strive to present the narrative, not just the numbers.

## Using Metrics to Tell a Compelling Story

Data by itself might engage the rational side of an investor, but data woven into a *story* engages both rationality and emotion. A compelling narrative is what makes your startup memorable and credible. The best founders use metrics as plot points in a story of momentum, efficiency, and market demand. In this section, we’ll explore how you can connect the dots between numbers to illustrate the bigger picture.

Think of it this way: your startup’s journey is the story, and metrics are the evidence that propels the plot. Here are key themes investors love to hear, and how metrics support them:

* **Momentum:** This is the story of growth and acceleration. Are things picking up speed? Metrics that indicate momentum include your growth rate (revenue or users) and its acceleration, the trajectory of your MRR/ARR, and perhaps the shortening sales cycles or increasing pipeline if you have sales. To tell a momentum story, you might say: “In the past six months, our monthly recurring revenue has been on an accelerating climb – growing 10%, then 12%, then 15% month-over-month each subsequent quarter. You can see the curve bending upwards in our revenue chart.” A chart of this would show a steepening line, which is very compelling. Pair that with a market story: “This momentum is a sign of strong market demand – word is spreading, and our product is catching fire in our niche.” If you have metrics like website traffic or inbound leads surging (and converting), that can further evidence momentum from a market interest perspective (just ensure to also mention conversion, so it’s not left as a vanity stat). Use vivid analogies if appropriate: “Our growth rate shows we’re not just ticking upward, we’re *inflecting* – much like how Slack grew rapidly once it hit a tipping point in team adoption.” The idea is to convey that your startup is moving fast and gaining traction exponentially, not linearly.
* **Efficiency:** This is the story of doing more with less – being smart in how you grow. Metrics here include CAC (and how it’s dropping or efficient relative to LTV), burn rate relative to growth (burn multiple), and any other unit economics that show leverage. For example: “We’ve doubled our customer base in the last year **while keeping marketing spend nearly flat** – our CAC actually fell from \$100 to \$60, demonstrating that we benefit hugely from word-of-mouth and viral product loops.” That tells a story of efficient growth. Another efficiency angle: “Our burn multiple is just 1.5; we spent \$300k net in the last year to add \$200k in ARR. That’s far more efficient than many peers at our stage who might spend \$3 to get \$1 of ARR[[28]](https://www.scalevp.com/insights/benchmarking-saas-growth-and-burn/#:~:text=Benchmarking%20SaaS%20Growth%20and%20Burn,This). We’re proud of how efficiently we’re using capital – every dollar works hard.” If your gross margins are high or improved, include that: “With 80% gross margins, each new dollar of revenue mostly falls to the bottom line to fuel further growth.” Efficiency metrics build the narrative that you’re a prudent steward of capital and that your business model has inherent leverage (e.g., software scaling without proportional cost increases).
* **Market Demand and Product-Market Fit:** This theme is about showing that customers **need** or strongly want what you’re offering. Metrics that tell this story include retention (if people stick around, it’s valuable), engagement rates (DAU/MAU ratio for instance, if relevant), upsell rates, and rapid growth in inbound interest. For instance: “Our retention rate of 95% quarterly shows that once customers start using our product, they don’t leave – a hallmark of product-market fit. Moreover, our net revenue retention of 120% means customers grow their spend with us over time[[33]](https://www.saas-capital.com/blog-posts/what-is-a-good-retention-rate-for-a-private-saas-company/#:~:text=Generally%20speaking%2C%20higher%20growth%20is,The%20opposite%20is%20also%20true) – they’re finding more and more value, which is the best validation of demand.” Also, if you have any metrics on usage (like how frequently customers use the product, or any network effects metrics), those can underscore that people find the product essential. Example: “On average, users are logging in to our app 5 times a day, and usage has been rising – that level of engagement is comparable to top-tier apps. It signals we’ve built something users rely on daily.” If applicable, showing low churn in an industry known for high churn can emphasize strong product-market fit: “In an industry where 5% monthly churn is common, we’re seeing only 2%. This atypically low churn tells us our solution really nails the customer’s pain point.”

To further the market-demand story, you can bring in non-core metrics like waitlist signups or NPS scores if they are exceptional. For example: “We launched a beta sign-up and got 5,000 signups in 48 hours with no marketing spend – clear evidence of organic demand.” Or “Our Net Promoter Score (NPS) is 70, which is world-class in our sector, indicating customers love the product and are likely to recommend it – fueling a virtuous cycle of growth.” These are more supporting characters in the story, not the main metrics, but they can add color.

* **Foundational Stability:** While momentum and growth are crucial, there’s also a story about building a strong foundation. Metrics here could be things like gross margin, payback period, or anything indicating you’re setting up a business that won’t crumble under scale. If you’ve got, say, a positive contribution margin or your CAC payback period is improving (“We recover our customer acquisition cost in 8 months, down from 18 months last year[[4]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=1,a%20crash%20course%20with%20Reality), which means we quickly recycle cash and can scale faster with the same capital”), it shows you’re not just growing, but growing sustainably. Burn and runway fit here too: “We’ve maintained ~18 months of runway consistently by balancing growth and spend – we’re ambitious but careful not to grow ourselves off a cliff. This new round will extend us to 24+ months runway, plenty of time to reach our next inflection point.”

Crafting the narrative involves stringing these themes together logically. One approach is to start with the problem/market (why demand is there), then say how your traction proves your solution is resonating: “For years, small businesses have struggled with X (problem). Our solution is clearly hitting the mark – we’ve grown to 500 paying customers in 6 months with virtually no churn, which tells us customers truly need this[[36]](https://www.saas-capital.com/blog-posts/what-is-a-good-retention-rate-for-a-private-saas-company/#:~:text=Retention%20is%2C%20of%20course%2C%20the,cohort%20over%20time%20for%20consistency). Our revenue has been doubling every quarter (momentum), and importantly, we’ve achieved this growth efficiently: over half of new sign-ups now come from referrals, keeping our CAC low. In fact, our LTV is about 5x our CAC, and payback is under 9 months, so every customer we acquire quickly becomes profitable[[12]](https://www.hsbcinnovationbanking.com/en/resources/b2c-metrics#:~:text=Ryan%20Clements%2C%20Early,at%20HSBC%20Innovation%20Banking). And those customers stick around – we have a 98% monthly retention, and many expand their usage (our NRR is 110%). This momentum and customer love gives us confidence to scale up. With the funding we’re raising (the ask), we plan to invest in further growth while keeping an eye on these unit economics, aiming to maintain our efficiency even as we accelerate.”

Notice how that hypothetical narrative touched on **market need**, used **metrics** to prove traction and love (growth, low churn, high NRR), highlighted **efficiency** (LTV/CAC, payback), and positioned the future plan in light of continuing those strengths.

As another expert tip: connect the *present* to the *future*. Use metrics to paint a picture of where you could be with more resources. For example: “Our current growth rate of 15% MoM, if sustained, means we’ll roughly **double** our ARR in 5 months. We see a path to hitting \$1M ARR within a year. With additional capital, we think we can accelerate even further to reach that milestone in 8-10 months by scaling sales.” This shows ambition backed by numbers.

Also, if you have any **milestones or achievements** indicated by metrics, use them as narrative hooks. Hitting \$100k MRR, crossing 1,000 customers, reaching a churn inflection (like negative churn), etc., are mini-stories of achievement. “Last month, we surpassed \$100,000 in MRR – a major milestone for us and one that validates our business model. Few companies in our space reach this level so quickly, and we did it while maintaining profitability on a per-customer basis.”

To ensure your metrics narrative resonates: - Keep it **cohesive**: Tie each metric back to the overarching message (momentum, efficiency, demand). One VC piece of advice is to connect improvements in one area to outcomes in another, e.g., “improvements in retention drove revenue growth”[[55]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=Telling%20a%20Cohesive%20Performance%20Story) or “operational efficiencies reduced CAC payback”[[55]](https://qubit.capital/blog/software-startup-kpi-financial-projections#:~:text=Telling%20a%20Cohesive%20Performance%20Story). This connectivity reinforces that you have an integrated strategy, not just isolated good numbers. - Avoid contradictions: If one metric’s story seems to conflict with another, address it. For example, maybe you have great growth but high burn – admit that and explain how you’ll balance it (or why it’s temporarily acceptable). A smooth story anticipates such questions. - **Practice storytelling**: Don’t just rattle off numbers. Frame them as part of cause-and-effect: “We did X, and as a result metric Y improved by Z.” Or, “Metric A was a challenge, so we did B, and now it’s on track.” This shows proactiveness and learning.

In summary, metrics should not be viewed as isolated checkboxes in a pitch – they are narrative devices. When you articulate a cohesive story backed by data, you appeal to the analytical side of investors (who see the proof) and to the emotional side (who feel the excitement of momentum and the reassurance of efficiency and demand). A well-told metrics story convinces investors that not only are the current numbers good, but *the trajectory* of the business is headed toward success. It builds trust in you as a founder who knows how to drive the story forward. As one startup CFO guide put it, **select the right metrics and then “tell a financial story around your metrics” to portray successes and potential**[**[56]**](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=It%20all%20starts%20with%20selecting,burn%20multiple%2C%20CAC%20and%20LTV) – that’s exactly the goal.

## Integrating Metrics into Your Pitch Deck

Having strong metrics is one thing; presenting them effectively in a pitch deck or meeting is another crucial skill. You want to showcase your metrics in a way that is clear, credible, and compelling. In this final section, we’ll cover practical tips for incorporating metrics into your pitch materials, building trust and credibility with investors in the process.

**1. Decide Which Metrics to Highlight:** You likely have many metrics, but your pitch deck should focus on the 3-5 *most compelling* ones for your business. These usually include some measure of traction (revenue or user growth), and key unit economics (CAC, LTV, etc.), plus any exceptional metric that is a particular strength (e.g., extremely low churn or high engagement). As an example, one financial advisor suggests startups will *likely want to include MoM revenue growth, CAC, LTV,* and perhaps a burn metric in their investor updates or decks[[57]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=It%20all%20starts%20with%20selecting,burn%20multiple%2C%20CAC%20and%20LTV). If you’re SaaS, definitely include MRR/ARR and churn; if marketplace, include GMV and take rate; if consumer app, include active users and retention. Tailor the selection to what best tells your story. A common approach is a “Traction” slide that presents key metrics at a glance. For instance, it might list: *“Users: 500k total / 50k MAU (Monthly Active Users, +10% MoM); Revenue: \$100k MRR (+15% MoM); CAC: \$50; LTV:CAC: 4:1; Churn: 3% monthly.”* This provides a snapshot of vital stats. Whatever you choose, ensure you can explain *why* those metrics matter. If an investor asks, “Why did you include metric X?”, the answer should be because it’s a key driver or validator of your business, not because it was the most flattering number.

**2. Use Visuals Where Possible:** A chart or graph can often convey a trend more effectively than a table of numbers. Investors are used to scanning decks quickly; a well-designed chart can stick in their mind. For growth metrics, consider a simple line chart of MRR or user growth over time. For unit economics, you might use a bar chart or a summarized graphic (like illustrating LTV vs CAC visually). Ensure that any chart is clearly labeled and not misleading. Include time axes, units, and source of data if not obvious. Also, keep visuals simple – one chart per slide if possible, rather than cramming too many lines or variables together. You might have one slide that is just a big chart of your growth curve – that’s often one of the most impactful slides in a deck. Another slide could be a “unit economics” slide that has a few key numbers or a graphic (e.g., *“\$1 spent → \$3 return in LTV”* as a visual equation). If you have cohort retention curves and they look good, that can be a powerful visual too (though sometimes better for appendix unless you want to dive into it). **Investors appreciate visual data presentation** – it shows you’re on top of your metrics and not afraid to share the full picture[[52]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=To%20get%20the%20most%20out,month%20basis%20and%20quarterly%20basis). Just be sure the visuals aren’t cherry-picked. For example, don’t show only your best quarter; show a reasonable time span so they can judge consistency. Transparency in charts (including both ups and downs if they exist) actually builds trust[[37]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=How%20Transparency%20Builds%20Investor%20Confidence).

**3. Provide Definitions and Clarity:** If you use any metric abbreviations or less common metrics, define them (either verbally or small text on the slide). Don’t assume everyone knows your specific metrics if they’re niche. For instance, if you put “CRR 85%” on a slide, you should say “Customer Retention Rate” somewhere. Or if you list “Burn multiple 1.5x,” you might add a footnote “(Burn / Net New ARR).” A busy investor might not recall a formula on the fly, so small annotations help. The goal is for your deck to be understandable even without you narrating. Some founders include a small glossary section or footnotes for metrics. This can be in an appendix or fine print. It’s a fine line – you don’t want to clutter the slide with definitions, but you also want clarity. A good approach: make the headline numbers big, and if needed have a smaller subtext explaining what that metric is or how it’s calculated.

**4. Highlight Trends and Goals on Slides:** As we emphasized earlier, context is key – so put that context on the slide. If you’re showing a chart of MRR, you might add a callout text like “**3× year-over-year growth**” or an arrow indicating a key inflection point (“Launched new product here → growth accelerated”). If you’re listing metrics, you could include Δ (delta) values or CAGR (compound growth) to illustrate momentum, e.g., “MRR: \$100k (was \$50k 6 months ago)” right there on the slide. This saves investors from having to ask or calculate in their head. Similarly, if a metric is best-in-class or particularly strong, label it: “Churn: 3% monthly (industry avg ~5-6%)” – this kind of parenthetical comparison can instantly communicate that you’re outperforming a benchmark. Use color or icons sparingly to draw attention to positive vs negative where relevant (e.g., green up arrows for positive trends, maybe red down arrow for something that is a challenge, if you’re being transparent about it). Some founders also show a future target on the chart (like a dotted line or an endpoint saying “projected with funding → \$X by end of next year”). That can be risky (don’t want to over-promise), but if done modestly, it helps investors visualize the trajectory.

**5. Build Trust Through Transparency:** A subtle but powerful way to integrate metrics is to be upfront about both strengths and weaknesses in your deck. For example, you might have a bullet: “Churn is 8% monthly (a bit high; our goal is to get it to <5% by Q4 by improving onboarding).” It might feel scary to point out a weakness, but savvy investors often respect this honesty. They likely will probe on churn anyway – better you show self-awareness. By stating how you’re addressing it, you turn it into a story of proactive improvement. Another way to show transparency is providing cohort data if churn is a concern. A slide with a cohort retention chart could say: “We had high churn in early cohorts, but as the product improved, our newer cohorts retain 2× better.” This directly addresses the issue and shows improvement, all in a visual way. Of course, choose your battles – you don’t need to volunteer every ugly number. But for key metrics that investors will care about, it’s usually better to control the narrative by disclosing and explaining them. This practice supports the advice to **provide full context and not cherry-pick data in front of investors**[**[37]**](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=How%20Transparency%20Builds%20Investor%20Confidence), which ultimately *builds credibility*.

**6. Tailor Metrics to Your Audience:** If you know certain investors care about certain metrics, be prepared to emphasize those. For example, some VCs are very focused on engagement in consumer apps (they might ask about daily active users or cohort retention), while others might be more financially focused (caring about CAC, LTV, payback). You might have backup slides or data in your notes to address deeper questions. In the main deck, hit the universal ones (growth, market, unit economics). In Q&A or follow-ups, have the deeper cuts ready. For instance, you might have an appendix slide with more detailed unit economics calculation or scenario plans. This shows you’ve done your homework. If an investor from the outset says, “We focus on SaaS, we like to see metrics like the Rule of 40 or NRR,” then make sure to mention your NRR or revenue efficiency somewhere. It’s about speaking their language while still telling your story.

**7. Incorporate Metrics into the Narrative Flow:** The flow of your pitch might be Problem → Solution → Market → Traction → Business Model → Team, etc. Ensure that when you hit Traction or Business Model, you actually showcase the metrics, not just qualitative statements. For example, instead of saying “We have great traction,” the slide should show the numbers proving that traction (the revenue or user growth chart and key KPIs). Similarly, when talking about business model or go-to-market, mention metrics like CAC or sales cycle length to give evidence that the model works in practice. On a “Financials/Projections” slide, if you have it, tie future projections to metric assumptions (e.g., “assuming churn improves to X and CAC stays at Y, we forecast…”). This reinforces that your plans are metrics-driven.

**8. Use Callouts or Tips to Emphasize Metrics in Documents:** If this e-book content were to be interactive or if you share a metrics dashboard with investors, consider including little callout notes explaining metrics (sort of like how we cite sources here). For instance, if you send a financial model, a tab with “Key Metrics Definitions” or footnotes can be very helpful for an investor doing diligence. While not part of the pitch deck per se, it’s part of the broader communication. It shows sophistication and helps avoid confusion.

In essence, integrating metrics into your pitch is about **clarity, credibility, and persuasion**. You want the investor to quickly grasp your performance and be persuaded by it, without doubting the integrity of the data. So: - Make metrics **easy to read and understand** (visuals, definitions). - Provide **context** right on the slides (trends, benchmarks, callouts). - **Be truthful and complete**, which boosts your credibility (don’t hide things; address them with explanations). - Align metrics with the **storyline** of your pitch (traction proof points, efficiency proof points, etc.).

Finally, remember that the way you handle metrics in a discussion is also telling. Be prepared to answer detailed questions. Know your numbers cold – nothing undermines credibility more than stumbling on a question like “What’s your CAC again?” or “How did you calculate that LTV?” Practicing those answers ensures you come off as a metrics-driven founder (which investors love). When you can confidently navigate through your metrics and the story they tell, you not only present a strong case – you also demonstrate that you’re the kind of founder who manages by metrics, adapts by metrics, and ultimately will *scale* by metrics. That is what gives investors trust that your startup is an investable business, not just an idea.

In conclusion, the metrics that matter – CAC, LTV, MRR/ARR, burn/runway, churn/retention, growth, and more – are far more than just numbers to report. They are tools to understand your business and communicate its potential. By focusing on meaningful metrics over vanity stats, explaining them in context, and using them to craft a compelling narrative, you transform cold data into a story of a startup that has momentum, efficiency, and demand on its side. This blend of solid evidence and storytelling is what resonates with early-stage investors and sets the stage for successful fundraising and beyond. So, as you move from idea to investable venture, let metrics be your guide – measure what matters, mind the story it tells, and confidently share that story with those who can join you on the journey. Your startup’s numbers, presented right, can truly speak volumes about your future.

[[2]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=From%20MRR%20to%20ARR%20to,trends%20and%20overall%20business%20health)[[58]](https://graphitefinancial.com/blog/key-financial-metrics-for-startups/#:~:text=To%20get%20the%20most%20out,month%20basis%20and%20quarterly%20basis)

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