

SaaS (Software as a Service)

Cloud-based subscription software



PRIMARY METRICS:

- Monthly Recurring Revenue (MRR) or Annual Recurring Revenue (ARR)
- Growth Rate: Measured weekly or monthly
- Net Revenue Retention: % of recurring revenue retained from a prior period
- Customer Acquisition Cost

INSIGHTS:

- All the benefits of recurring revenue
- Shouldn't include non-recurring revenue calculations to MRR/ARR because they lack predictability and cannot be used to evaluate the company's health
- Usually sold to businesses, ideally on annual contracts
- Growth can be driven by direct sales, self-serve acquisition channels, or both

Transactional

Facilitate transactions and take a cut



PRIMARY METRICS:

- Gross Transaction Value (GTV): Total payment volume transacted
- Net Revenue: Fees charged for transactions (often a %)

- User Retention: % of month 1 customers that make a purchase in month 2, etc
- CAC

INSIGHTS:

- Usually fintech and payments businesses
- One-time transactions rather than recurring
- Often high volume with a low fee (1-3% is common)
- Best transactional businesses have extremely consistent revenue from high repeat usage

Marketplaces

Facilitate transactions between buyers and sellers



PRIMARY METRICS:

- Gross Merchandise Value (GMV): Total sales volume transacted
- Net Revenue: Fees charged for transactions (often a % take rate)
- Growth Rate
- User Retention: % of month 1 customers that make a purchase in month 2, etc

INSIGHTS:

- Initially faces a "chicken & egg" problem
- Requires scaling supply and demand simultaneously
- Network effects at scale drive exponential growth
- Successful marketplaces often achieve dominant winner-take-all positions

Subscription

Product or service sold on a recurring basis, usually to consumers



classpass

NETFLIX

PRIMARY METRICS:

- Monthly Recurring Revenue (MRR) or Annual Recurring Revenue (ARR)
- Growth Rate: Measured weekly or monthly
- User Retention: % of month 1 customers that make a purchase in month 2, etc
- CAC

INSIGHTS:

- Recurring revenue is highly valuable
- Usually sold to consumers, often paying monthly
- Usually lower price points, from a higher volume of customers
- Growth driven by scalable, self-serve acquisition channels

Enterprise

Sell large fixed-term contracts to big companies (5k+ employees)



PRIMARY METRICS:

- Bookings: Total *signed* contract value (recurring + non-recurring)
- Revenue: Recognized when delivering on the contract
- Annual Contract Value (ACV): Total contract value / # of years
- Pipeline: Top of funnel → Demo → Close

INSIGHTS:

- Very few customers, much larger deals (\$100k+/year)
- Growth driven by direct sales
- Often begin with paid pilots or LOIs
- Usually long sales cycles, with many gatekeepers
- The buyer is not always the end user
- Lumpy growth: measuring m/m growth rate doesn't make as much sense

Usage Based

Pay-as-you-go based on consumption in a given period



PRIMARY METRICS:

- Monthly Revenue (not recurring!)
- Growth Rate
- Revenue Retention: % of revenue from last month's customers in this month
- Gross Margin: Revenue - Cost of Goods Sold (COGS)

INSIGHTS:

- Don't confuse usage-based revenue with recurring revenue
- Charge per API request, # of records, data usage, etc
- Grow as your customers grow
- Product and pricing scale to support tiny startups to large enterprises

E-commerce

Sell products online



WARBY PARKER



PRIMARY METRICS:

- Monthly Revenue: Total sales
- Growth Rate: Measured weekly or monthly
- Gross Margin/Unit Economics: Revenue - Cost of Goods Sold (COGS)
- CAC

INSIGHTS:

- Includes D2C brands and Shopify stores
- Not marketplaces, so keep 100% of each sale
- Higher COGS = lower margins
- Products often commoditized
- Need to be excellent at user acquisition and operations/unit economics

Advertising

Sell ads to monetize free users

facebook



PRIMARY METRICS:

- Daily Active Users (DAU): Unique users active in a 24 hour period
- Monthly Active Users (MAU): Unique users active in a 28 day period
- User Retention: % of active users on day 1, day 7, day 30, etc
- CPM (Cost Per Thousand) or CPC (Cost Per Click)

INSIGHTS:

- Typically consumer social products with huge scale
- Customer is the advertiser, not the end user
- Users are the product being sold
- Need billions of impressions each month
- Registered Users is a vanity metric

Hardtech/Bio/Moonshots

Hard businesses with lots of technical risk and long time horizons



BOOM



cruise

PRIMARY METRICS:

- Milestones: Progress towards the long-term vision
- Signed contracts
- Letters of Intent (LOIs): Non-binding contracts indicating interest to purchase

INSIGHTS:

- Often take years to get to a live product due to technical and/or regulatory risk
- Impressive technical milestones or experimental data help de-risk the technology
- Revenue can be years away, making signed LOIs crucial indicators of customer interest.