Description

This metric is the calculation of the cyclical, recurring revenues the firm takes in on a monthly basis for its subscriptions / service activities. ARR is great for longer term planning and contextualizing growth, but MRR is better for short-term decision making and navigating the immediate environment.

Variables

Annual Subscription Revenue at the beginning of the period; New Annual Subscription Revenue; Churned Subscription Revenue; Upgrade Subscription Revenue

Formula

Monthly Subscription Revenue at the beginning of the period

+ New Monthly Subscription Revenue

- Churned Subscription Revenue

+ Upgrade Subscription Revenue

Monthly Recurring Revenue for the period

Levers / Impact

This is another extremely customer-centric metric. The best thing you can do to impact ARR is to:

(a) bring in more customers,

(b) retain them longer, and

(c) make it cheaper to acquire them.

The related metrics that serve as levers for MRR include Average Revenue per Account, Customer Lifetime Value, and Net Revenue Retention. Developing a strong sales force and customer success component can drastically elevate these numbers.

References

<https://www.paddle.com/resources/monthly-recurring-revenue#what-is-mrr>

<https://www.wallstreetprep.com/knowledge/monthly-recurring-revenue-mrr/>