



SaaS Growth Report

How SaaS Businesses Grow From
Zero to \$30M ARR and Beyond

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Executive Summary

Welcome to this first edition of the ChartMogul SaaS Growth Report. Growth is key to building any successful SaaS business. In this report, we do a deep dive analysis of how SaaS businesses grow from zero to \$30M ARR and beyond. We also share the latest growth trends, insights, and benchmarks based on data from over 2,200 SaaS businesses. Five insights stood out in our research:

1. SaaS growth rates have stabilized in the last 3 quarters.

While the data doesn't show any gain, it's clear that growth is not deteriorating. There are pockets of optimism. Growth for best-in-class SaaS startups is accelerating and new business activity is picking up.

2. Top-tier SaaS startups reach \$1M ARR within 9 months.

The median startup takes approximately 2 years and 9 months. On average, SaaS startups reach \$10M ARR in slightly over 5 years. Even after 10 years in business, only 13 % of SaaS startups are able to hit the \$10M ARR mark.

3. SaaS is mildly seasonal.

Q1 is usually the best quarter of growth, and Q4 is the slowest. March is the best month and July and December are usually slower (due to holidays).

4. The majority grow from \$1M to \$10M ARR by growing their subscriber base.

Only a small subset (<5%) of startups grow mainly by increasing their ARPA.

5. Best-in-class SaaS businesses grow over 100% each year.

The top decile of SaaS businesses with ARR in the range of \$1-3m grow at 192% annually. Those in the \$3-8m ARR segment, grow at 121%. And those, in the \$8-15M ARR segment grow at 110%.

There are many other insights I'd like to share, but I'll let you explore more of the report in your own time. If you stumble upon anything that is unclear or just want to discuss some of the takeaways do not hesitate to [reach out](#). This report would not have been possible without the contribution of my colleagues. A special thanks to Bianca, Koen, Peter, Rachel, and Thomas for making this report happen.

Sincerely,

Sid Jain

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Chapter 1

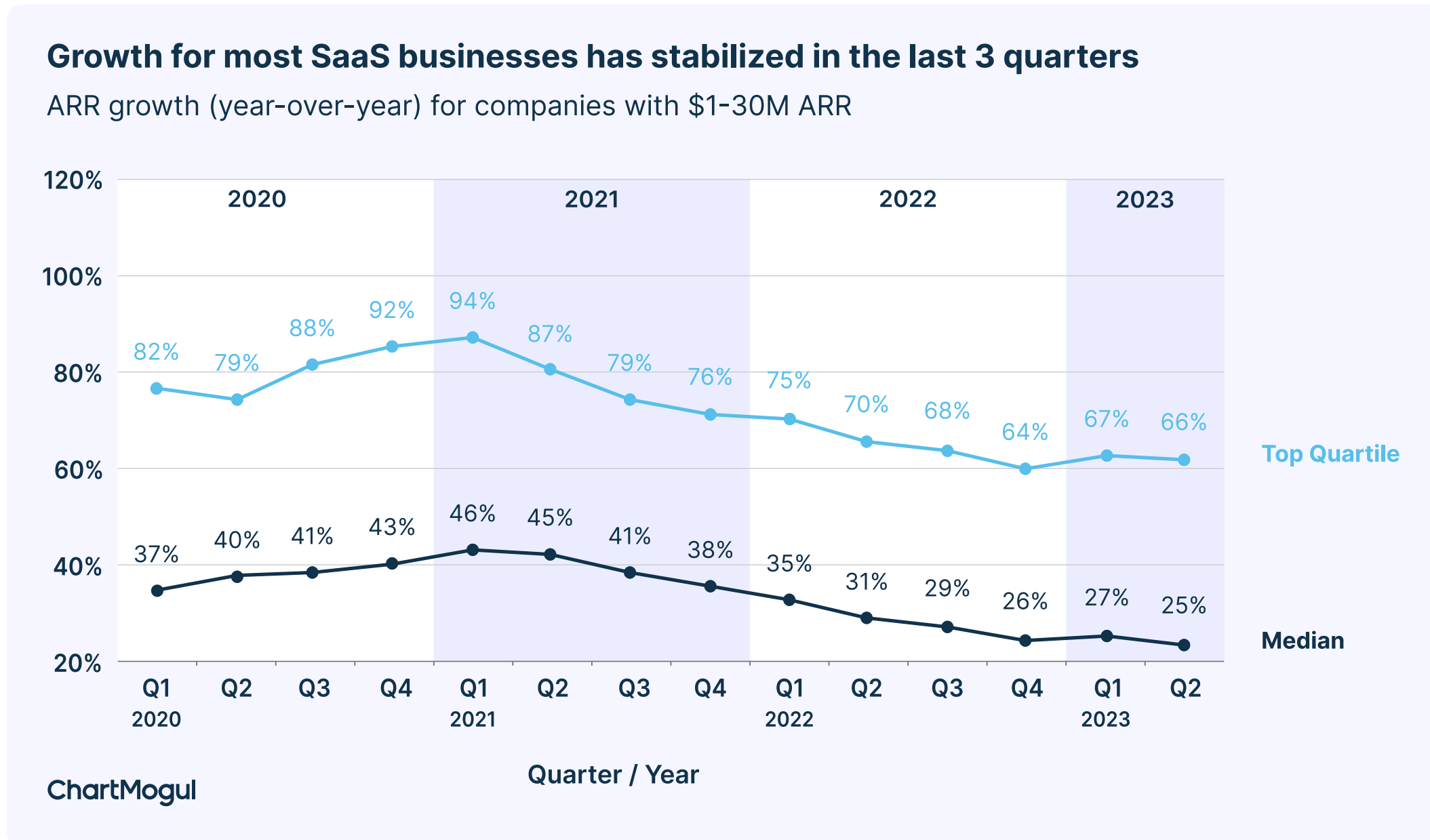
Growth Trends

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Overall

Growth is stabilizing for most SaaS businesses. Year-over-year growth rates for the top quartile of SaaS companies with \$1-30M ARR have stabilized in the last three quarters. While the data doesn't show any gain, it's clear that growth is not deteriorating.

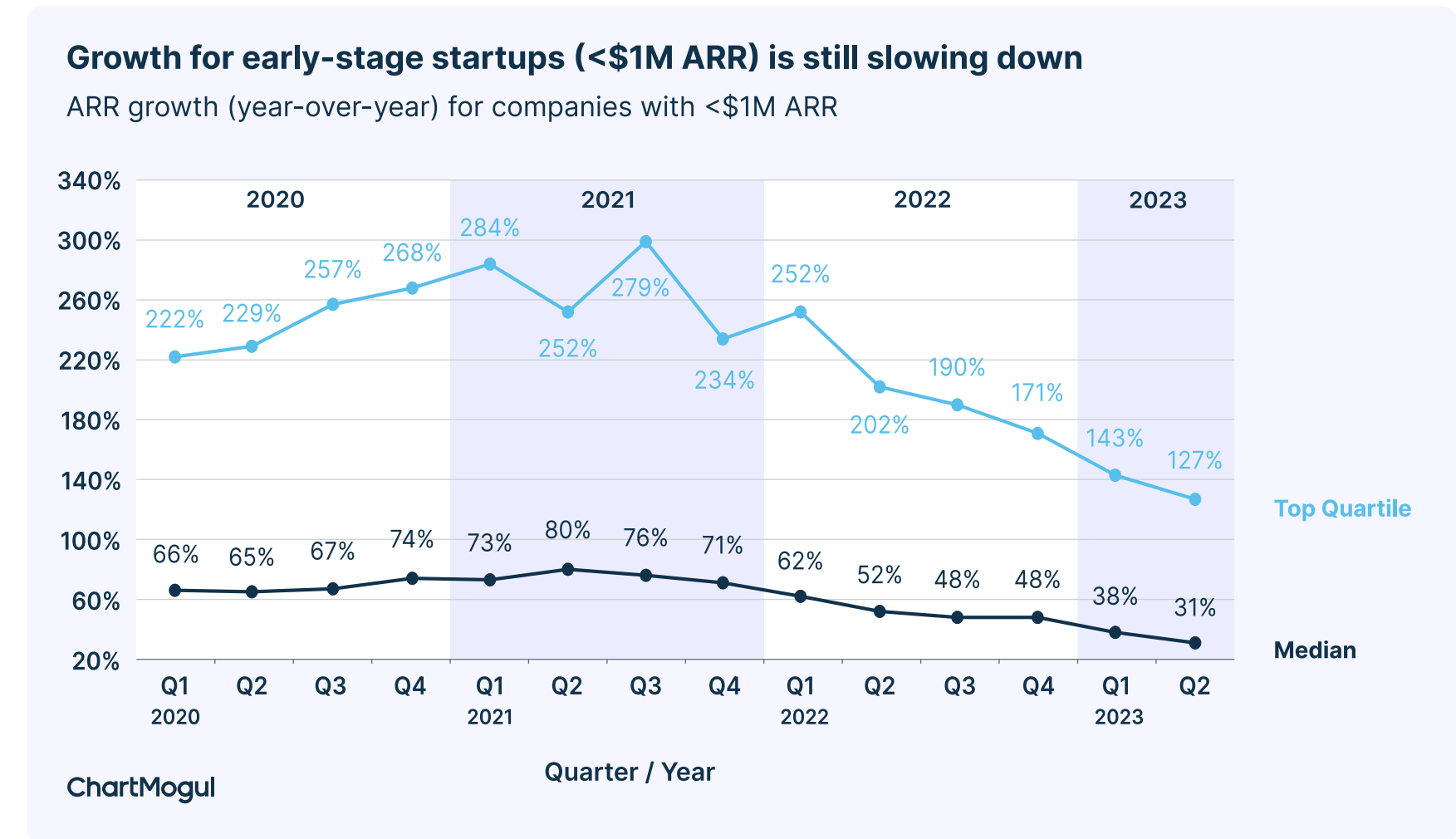
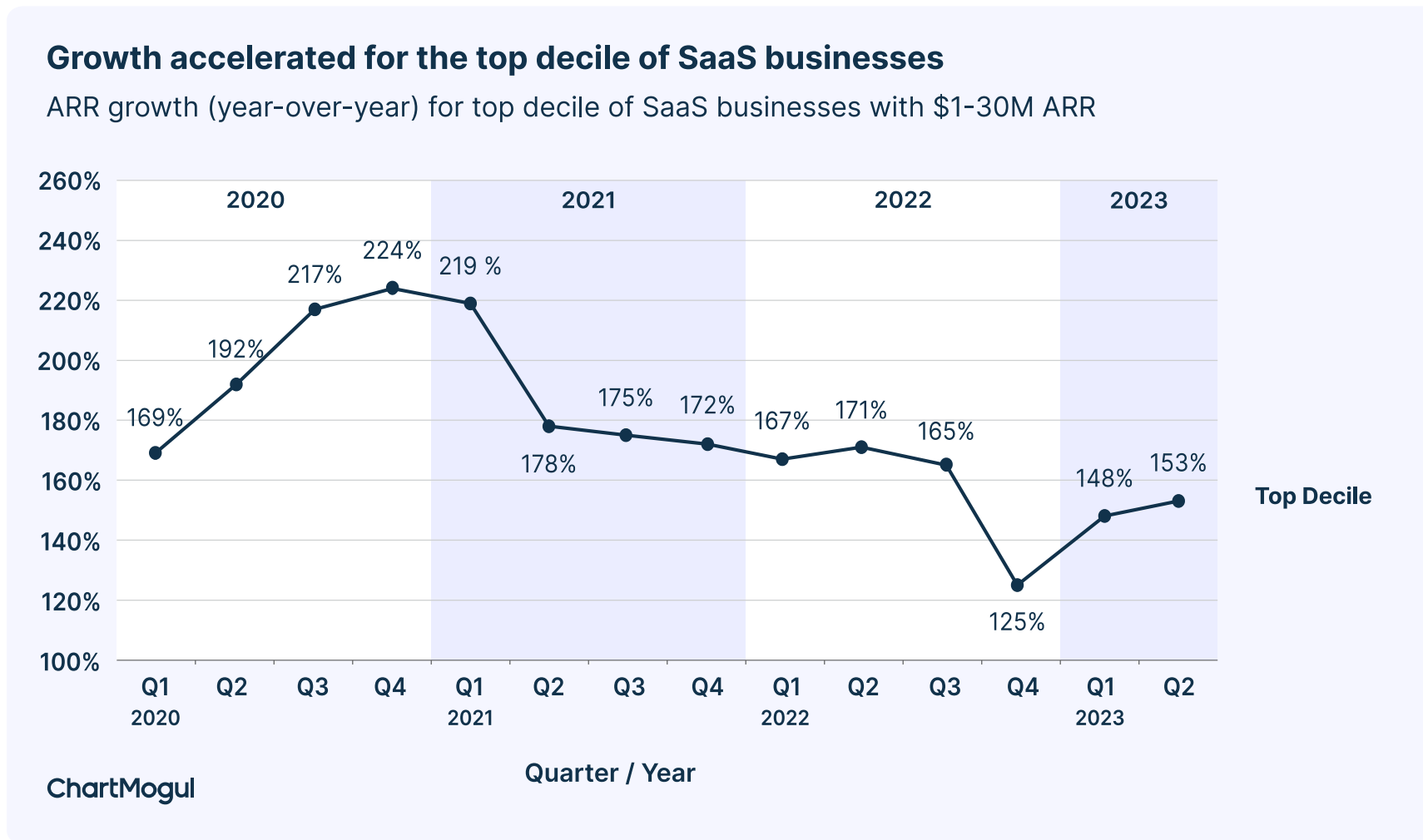


The top decile of SaaS business saw growth accelerate in the first half of 2023.

Growth rates are getting better for best-in-class SaaS businesses, although, still down a third from the highs of 2021.

The slowdown is still impacting early-stage startups.

Growth rates for early-stage startups peaked in 2021 and from there on they have more than halved. The slowdown is broad-based. It's a tough market for companies just starting out.



New Business

New business is picking up across the \$1-30M ARR segment.

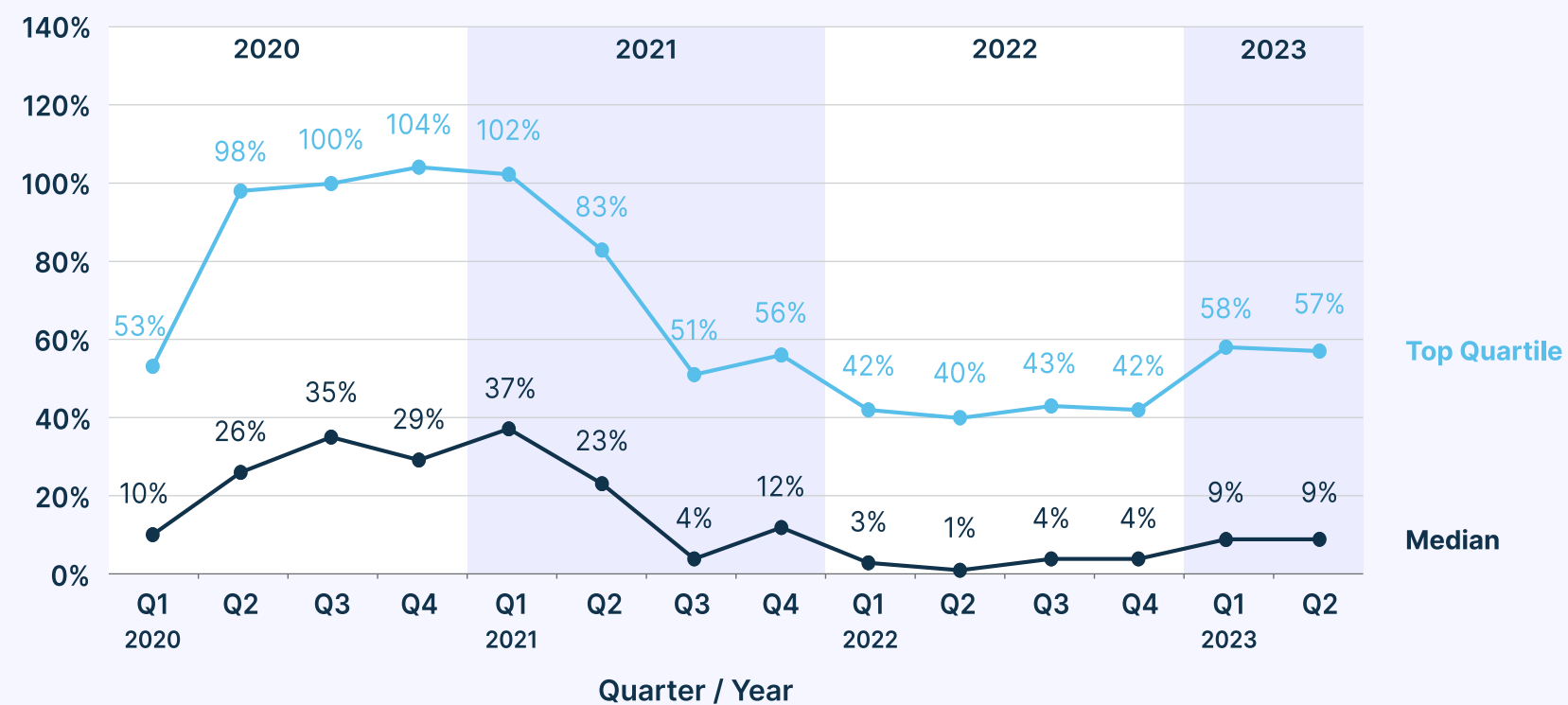
Slower new logo acquisition was the primary reason for the growth scare last year. This is now picking up gradually in the first two quarters of 2023.

New business is still muted for early-stage SaaS startups (<\$1m ARR).

The median early-stage startup saw flat year-over-year new business ARR over the past 5 quarters.

New business activity has picked up for most SaaS businesses in H1 2023

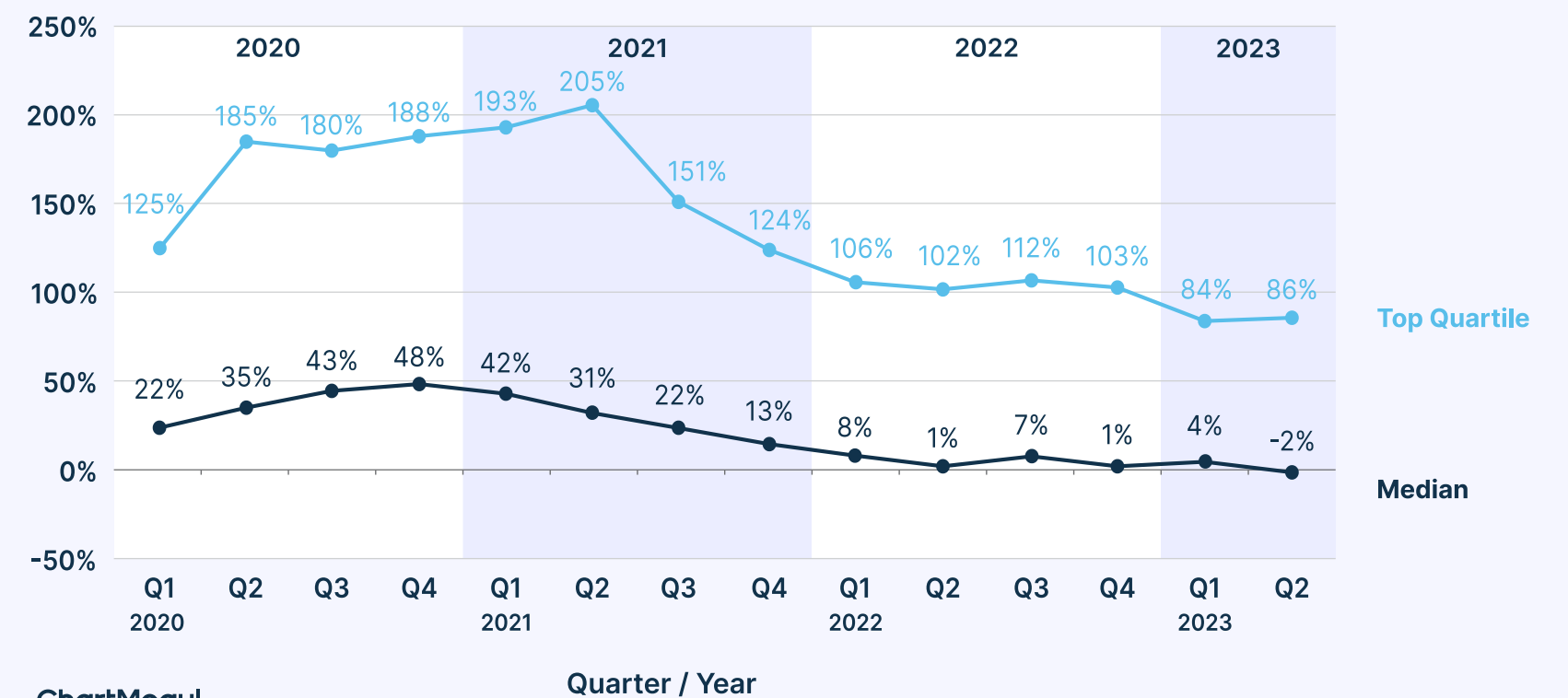
New business ARR growth (year-over-year) for companies with \$1-30M ARR



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New business remains slow for early-stage startups

New business ARR growth (year-over-year) for companies < \$1M ARR



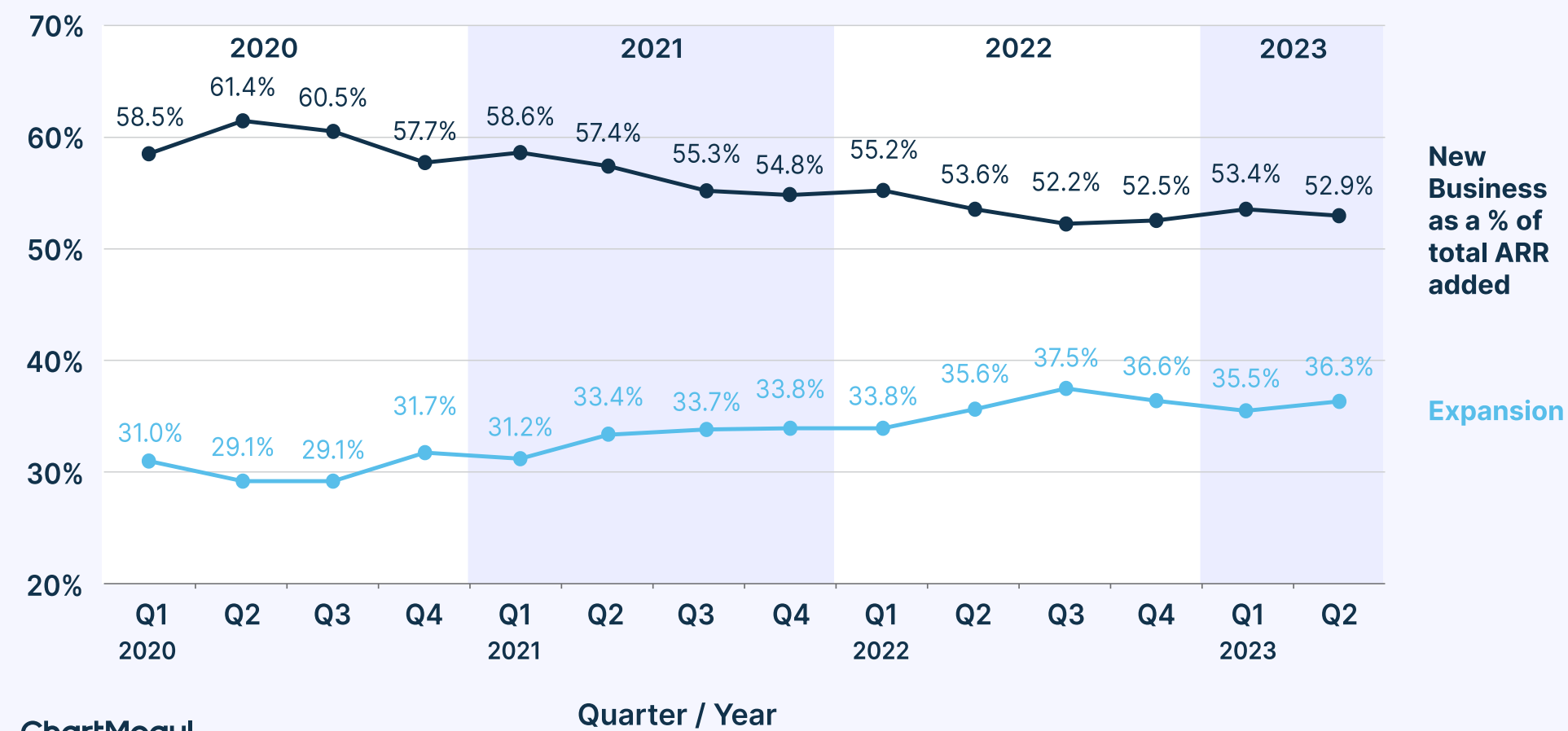
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Expansion vs. New Business

Given the slowdown in new business, larger companies (\$5–30M ARR) are relying more on expansion. The proportion of ARR gained from new business has come down from a peak of 61.4% in 2020 to 52.9% now. In contrast, the portion of ARR gained from expansion has increased from 29.1% in 2020 to 36.3% now. The reactivation component has remained roughly stable at 10–11%.

SaaS businesses are relying more on expansion revenue

Split of ARR added for companies with ARR between \$5-30M ARR



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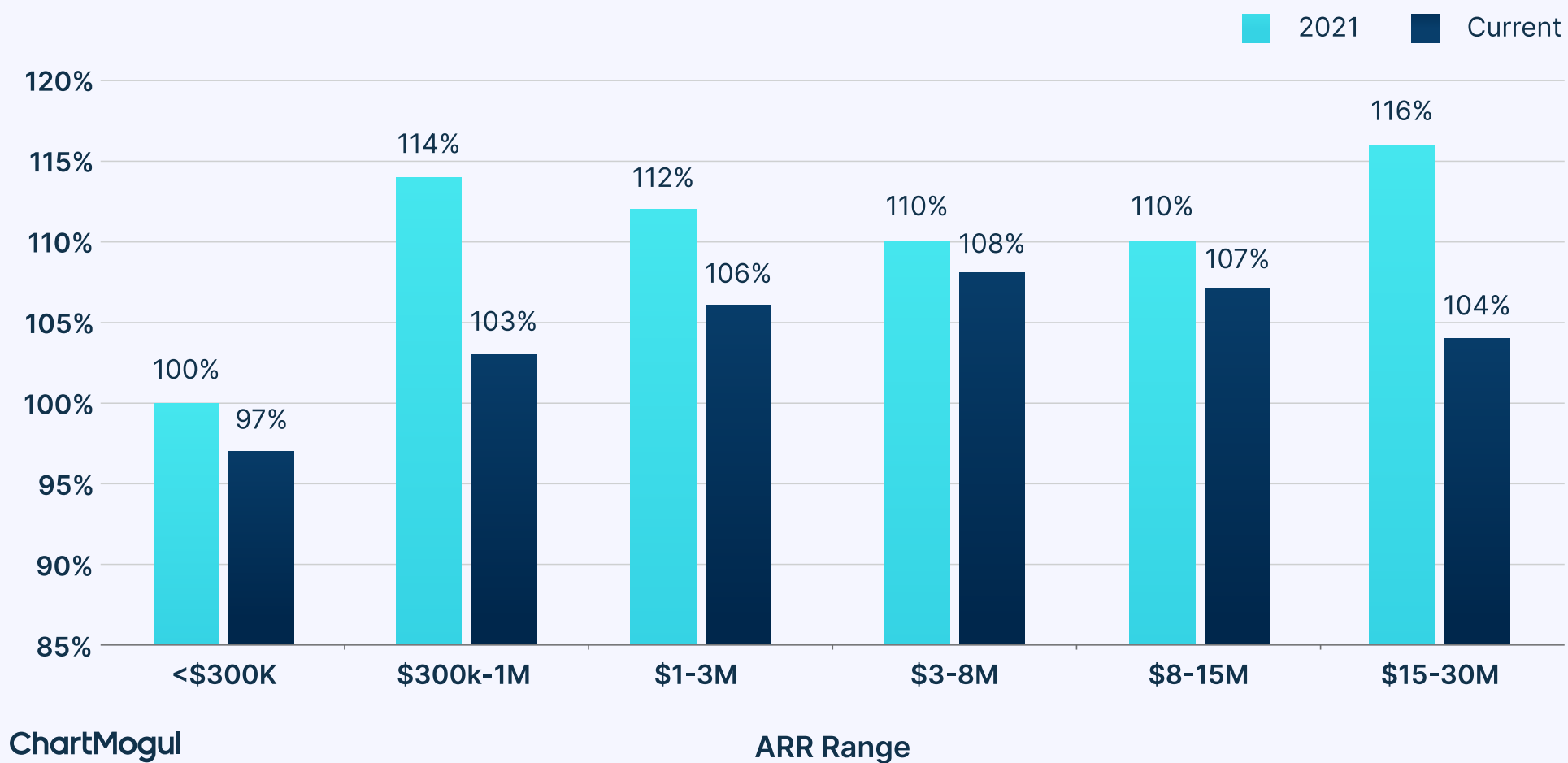
Retention

Retention continues to be a drag on performance.

Retention across the board is a couple of percentage points lower than what it was in 2021.

Retention is lower across all ARR ranges

Best-in-Class (Top Decile) Net Revenue Retention



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ARR Range



"With the crisis persisting, SaaS businesses challenge their tech stack more often. This results in lower overall retention. This drop is very visible at Seed stage where companies now need to be frugal in order to reach their Series A. It is also significant for mature businesses that decide to build tools internally in order to save some cash which costs a lot these days."

Enzo Avigo, CEO & Co-founder, June



Chapter 2

Growth Benchmarks

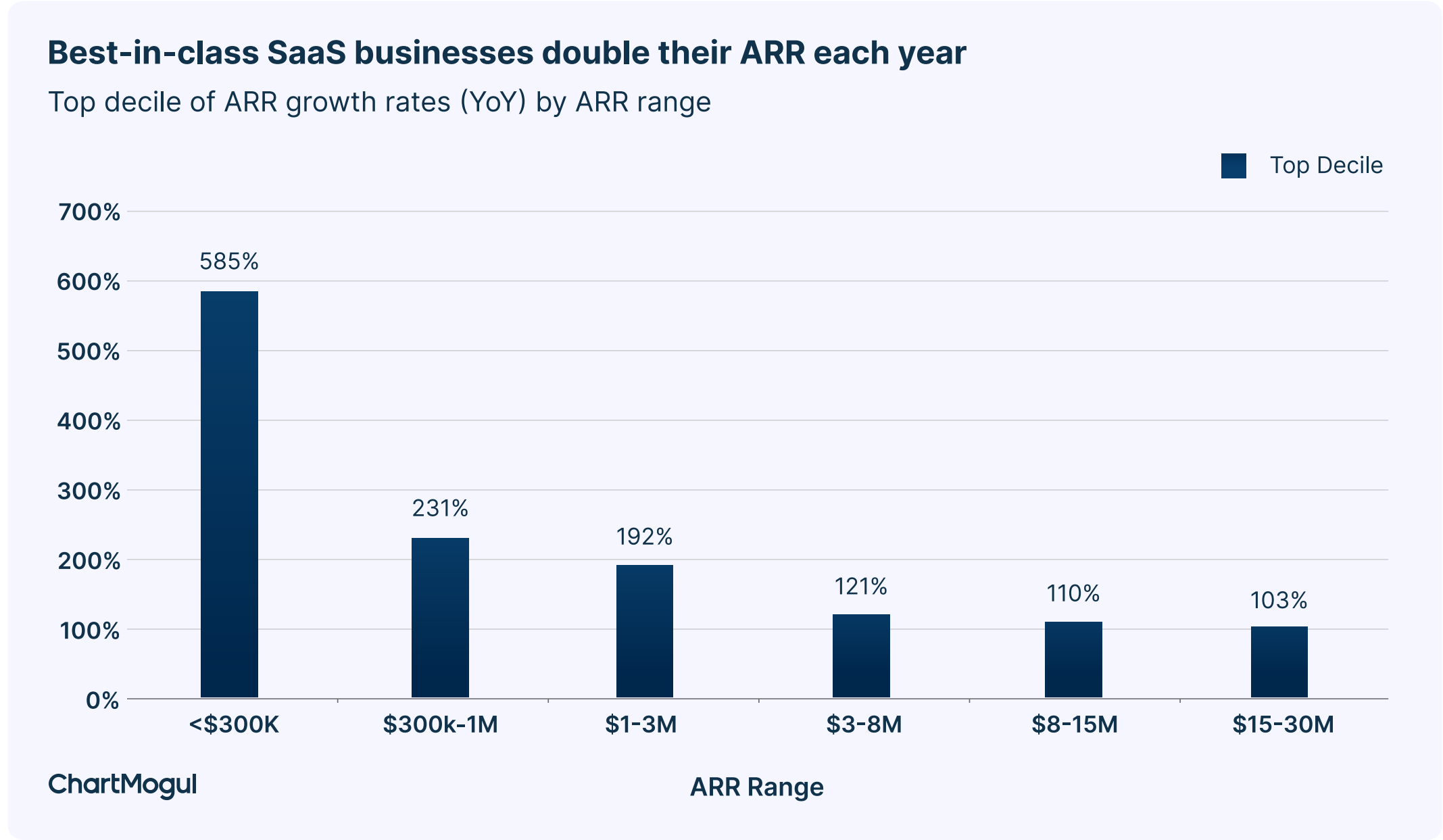
What is a good growth rate for SaaS startups in 2023?

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Annual

Best-in-class SaaS businesses still double their revenue each year. The top decile of SaaS businesses with ARR in the range of \$1-3M grow at 192% annually. Those in the \$3-8M ARR segment, grow at 121% annually. VCs often focus on funding the top decile of companies that will double or triple revenue each year.

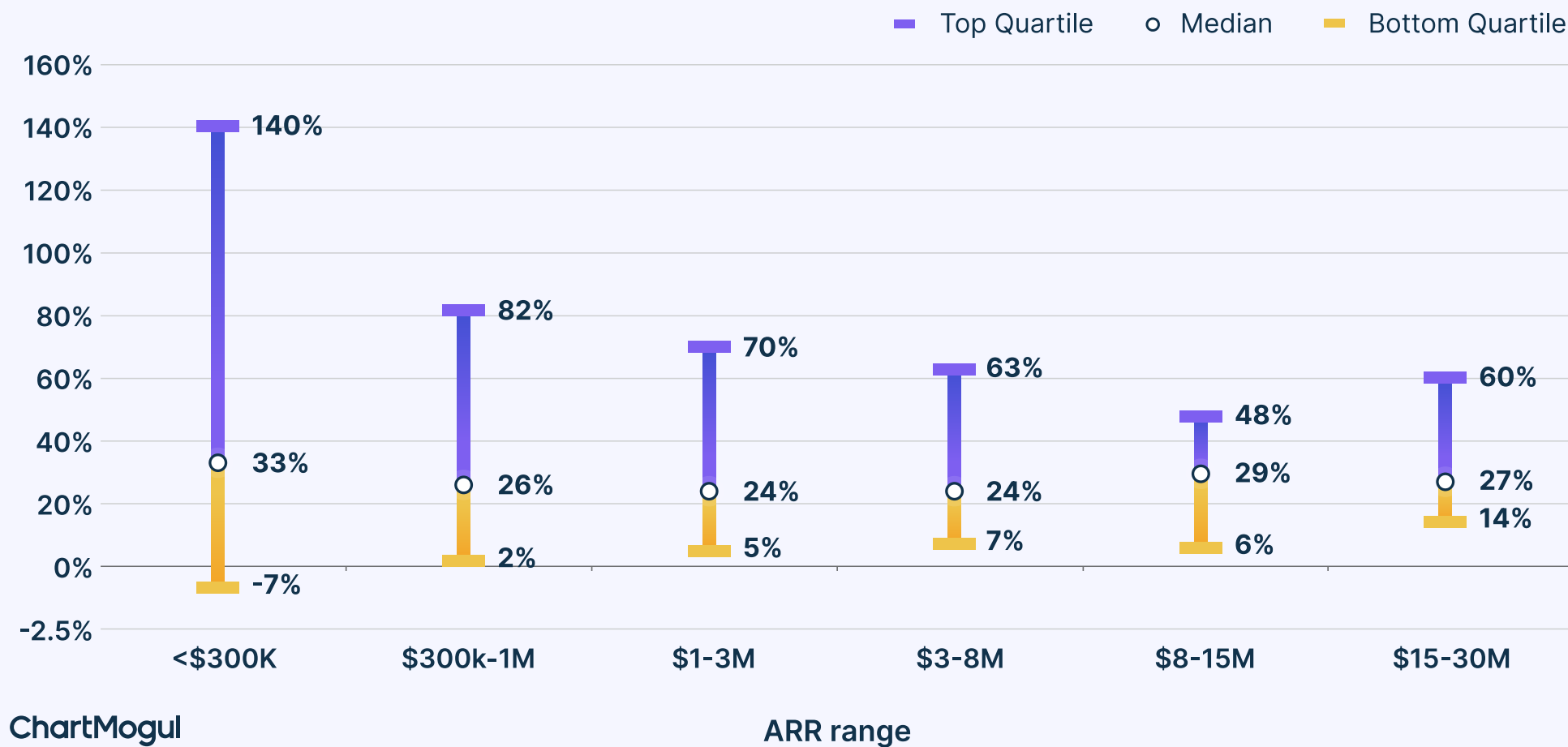


The top quartile of SaaS businesses grow around 60–70% annually, while the median SaaS business grows around 30% annually.

The fastest startups outgrow others multiple times over. As you can see, the dispersion in growth is highest in the early stages. This is expected, as some startups find product-market fit (PMF) and start scaling, while others keep searching for it.

The median SaaS business grows around 30% YoY

ARR Growth Benchmarks (YoY) by ARR Range



“Even though efficiency is a key factor in whether a startup is more or less exciting for investors, growth is the clear #1 consideration. If you’re at around \$8–15 million ARR, you need to grow roughly 2x year-over-year to get investors excited. If you’re below \$8 million ARR, you have to grow even faster to get investors to jump out of their seats. That doesn’t mean that you can’t raise at all if you’re growing slower, but it will be more difficult.”

**Christoph Janz, Managing Partner,
Point Nine Capital**

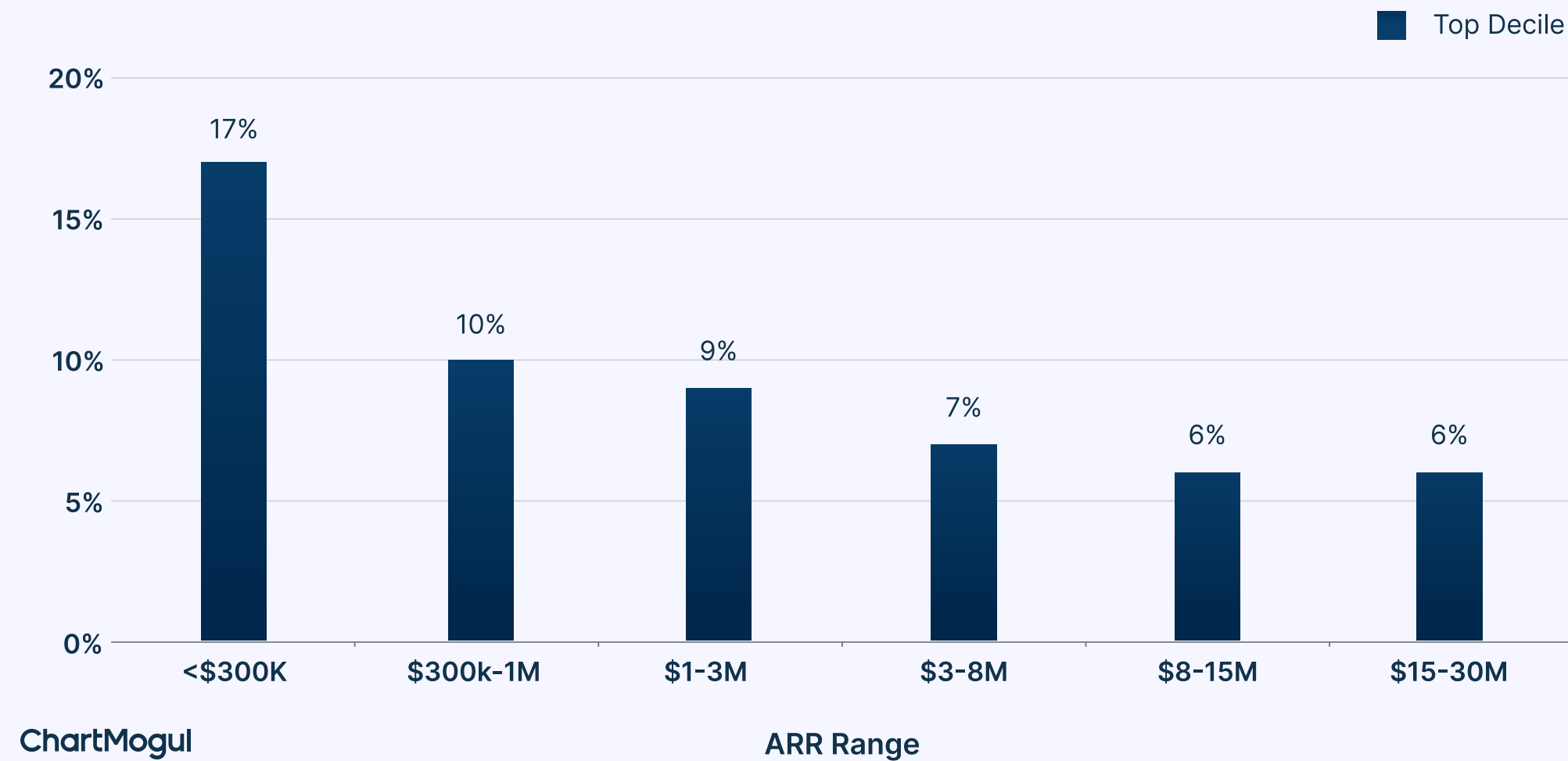
Monthly

The top decile of SaaS startups grow over 10–17% per month when starting out.

Once they cross the \$3m ARR milestone, growth settles around 6–7% per month.

Best-in-class SaaS business grow around 7-10% monthly

Top Decile of compound monthly growth rate (%) by ARR range

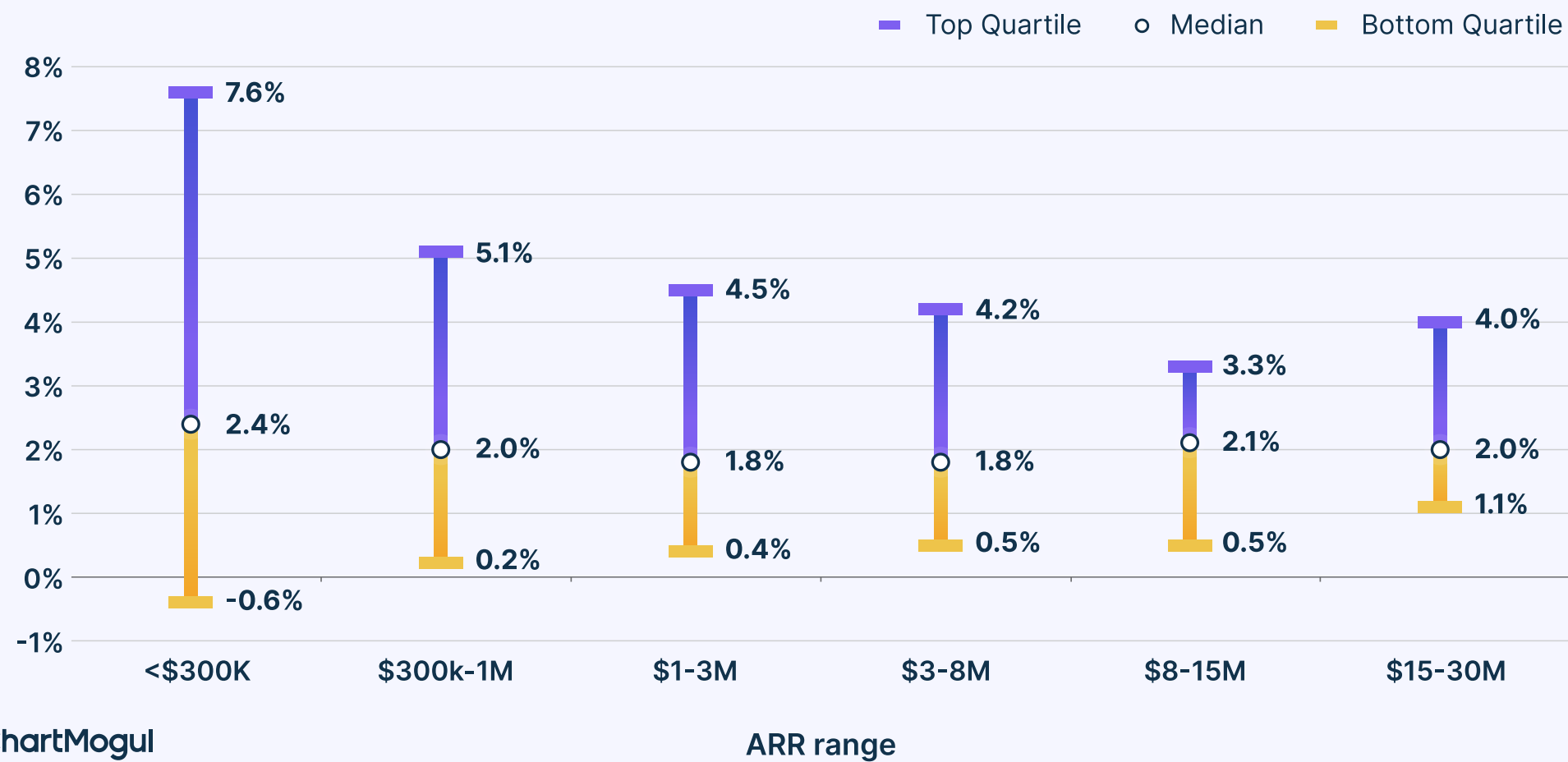


The median SaaS business grows around 2–2.5% per month throughout their lifecycle.

The top quartile of SaaS businesses initially grow around 5–7% per month but then as they mature, growth settles around 3–5% per month.

Median SaaS business grows ~2% per month

Compound monthly growth rate (%) by ARR range



"ChartMogul's reports have rapidly become one of the most eagerly awaited benchmarks for the SaaS community. And each report is better than the previous one."

**Yoram Wijngaarde, Founder and CEO,
Dealroom.co**



Chapter 3

Growth Milestones

How long does it take to reach revenue milestones? How do you know if you are on track?

Note: Naturally, growth milestones data has survivorship bias because only a small percentage of startups grow and hit a particular revenue milestone (Only 13% of SaaS startups reach \$10M ARR even after 10 years in existence).

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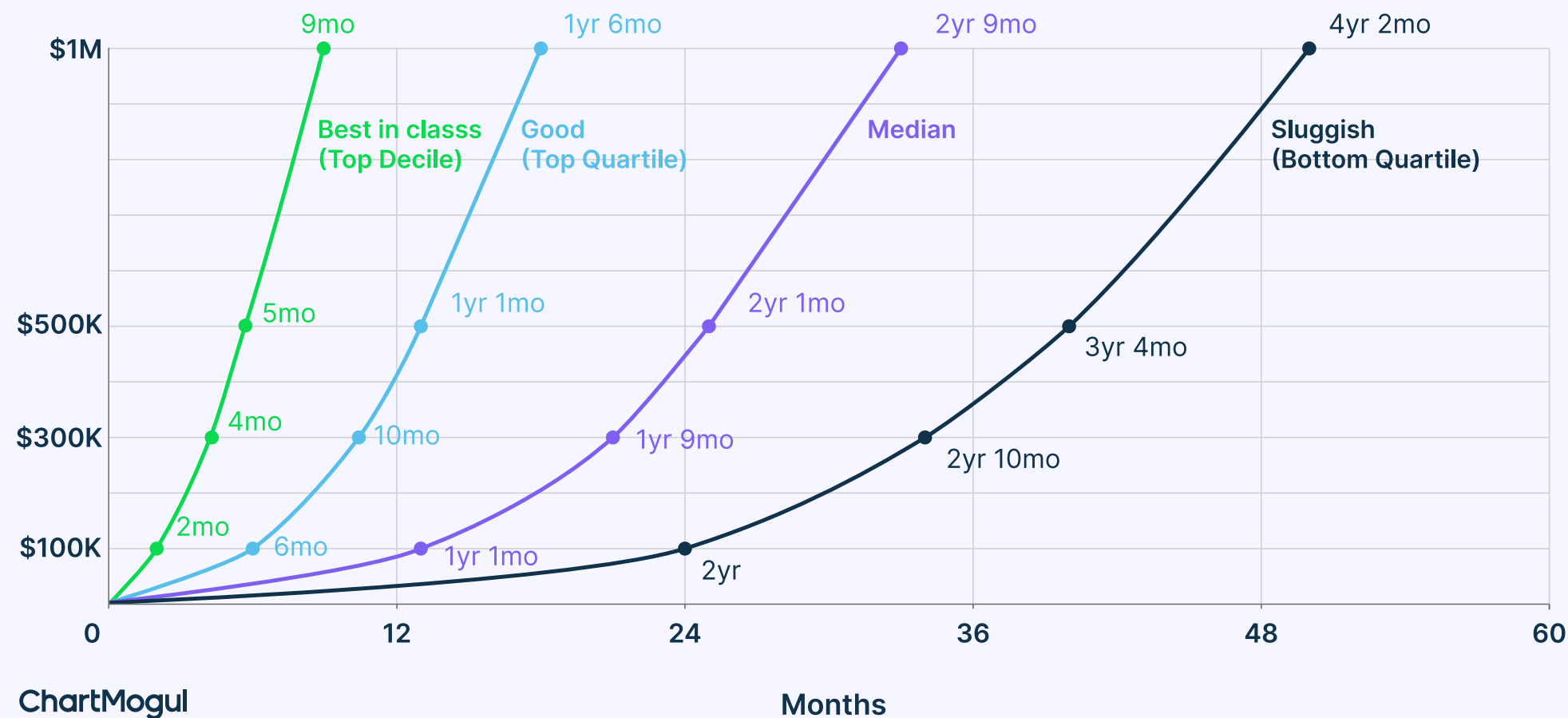
Time to Reach \$1M ARR

Best-in-class SaaS businesses reach the \$1M ARR milestone in just 9 months, once they get their first paying customer. It takes the median startup around 2 years and 9 months and 9 months.



Best-in-class SaaS businesses reach \$1M ARR in just 9 months

Time to reach \$1M ARR Milestone from first revenue



“It took around 15 months for Feather.so to reach \$5K MRR after launch while SiteGPT.ai got to \$10K MRR in just 1 month after launch. It’s been fascinating to see how different the trajectories have been for both of my startups.”

**Bhanu Teja, Independent Maker,
Feather.so & SiteGPT.ai**

Time to Reach \$10M ARR

Best-in-class SaaS businesses reach the \$10M ARR mark in 2 years and 9 months.

It takes the median startup a little more than 5 years. The journey to \$10M ARR is not often as linear. Sometimes the first few years are slow but then things accelerate once your startup hits product-market fit.

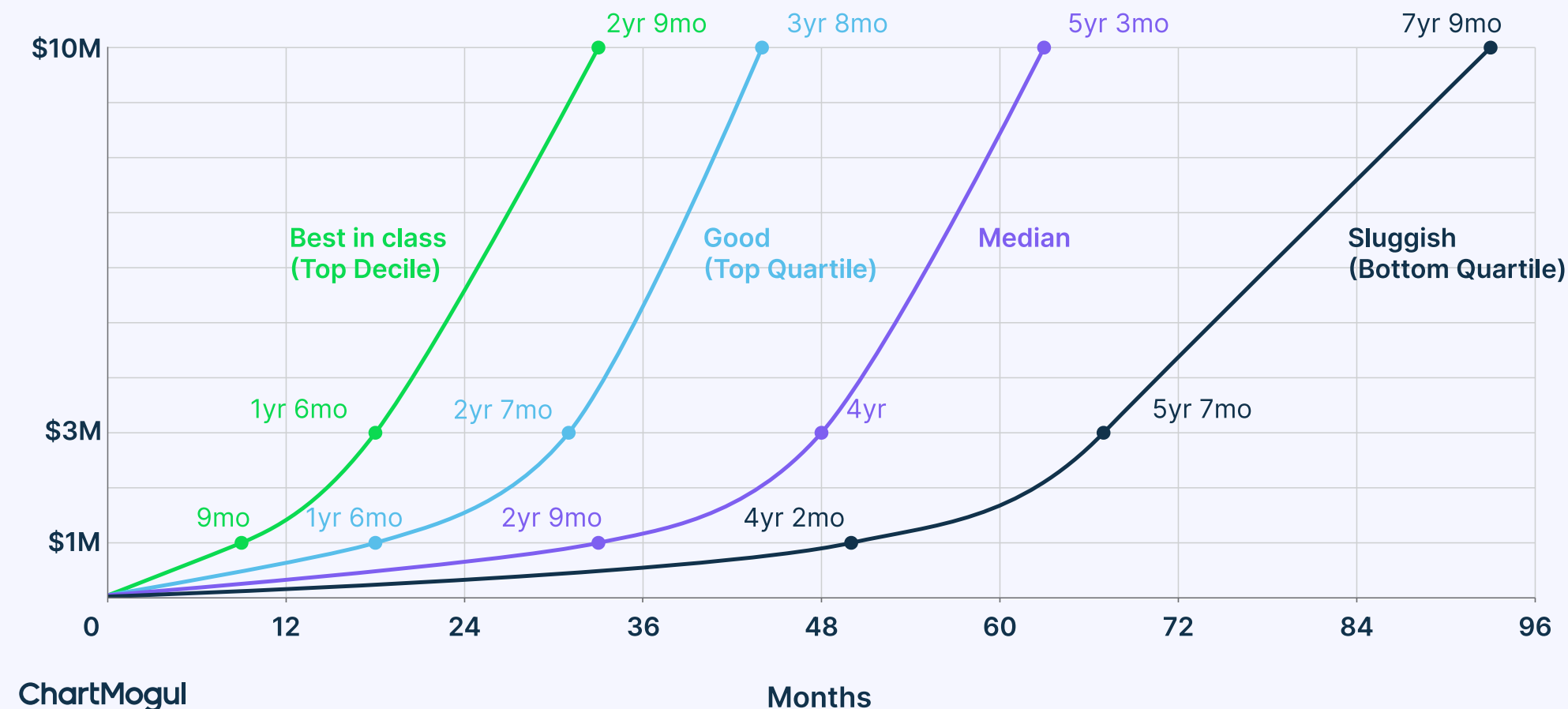


"At Instantly, we've reached a \$10M ARR in a mere 15 months, all without external investors, advisors, or a physical office. Our product is a tool that we actively use each day, and we only incorporate features that we are certain will generate dollars for both us and our customers. Right from the outset, our approach has been to share the best content in our space, and across multiple channels.

Raul Kaevand, Co-founder, Instantly.ai

Best-in-class SaaS businesses reach \$10M ARR in 3 years

Time to reach \$10M ARR Milestone from first revenue



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Months

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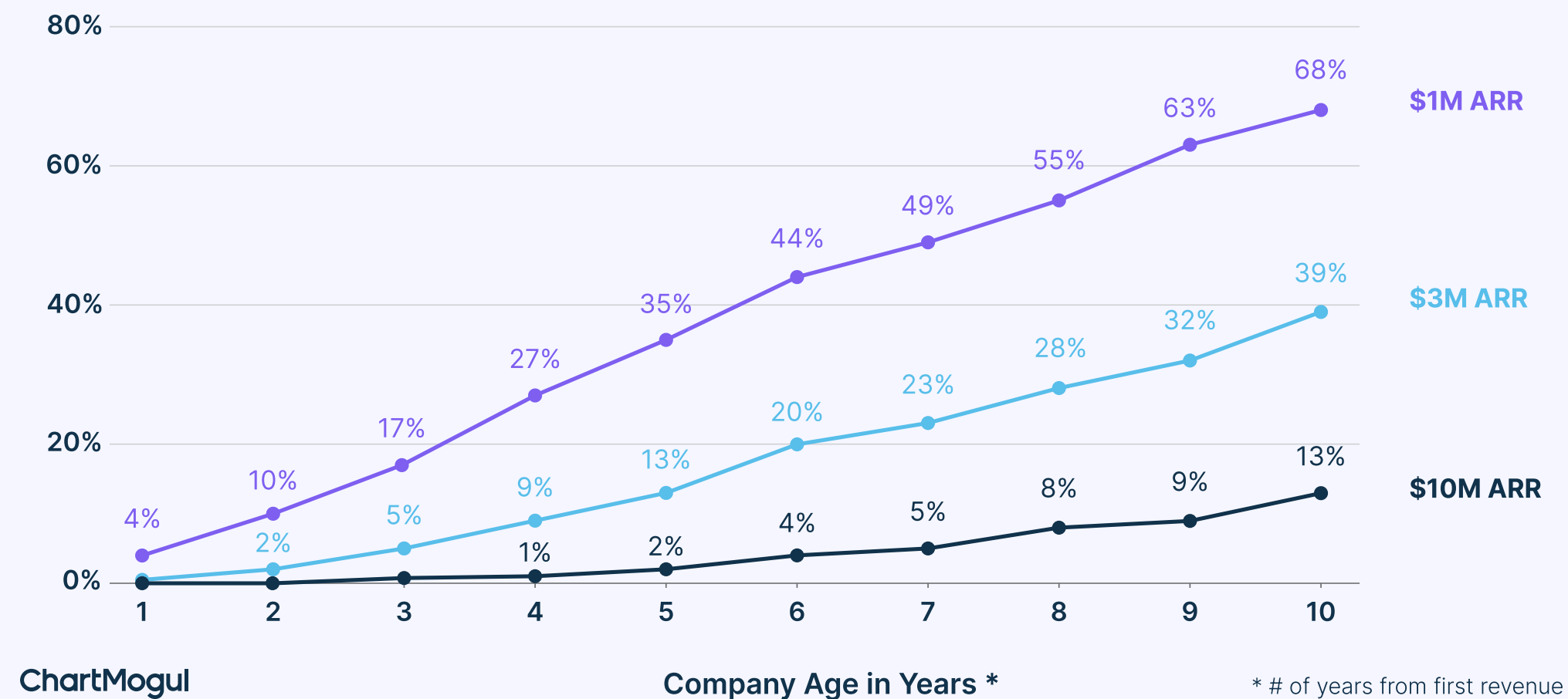
Milestone Success Rate

For each startup that hits a particular revenue milestone, there are hundreds out there that don't.

After even 10 years in existence, only 13% of startups are able to reach the \$10M ARR mark. It's hard.

Only 13% startups are able to reach \$10M ARR after 10 years in business

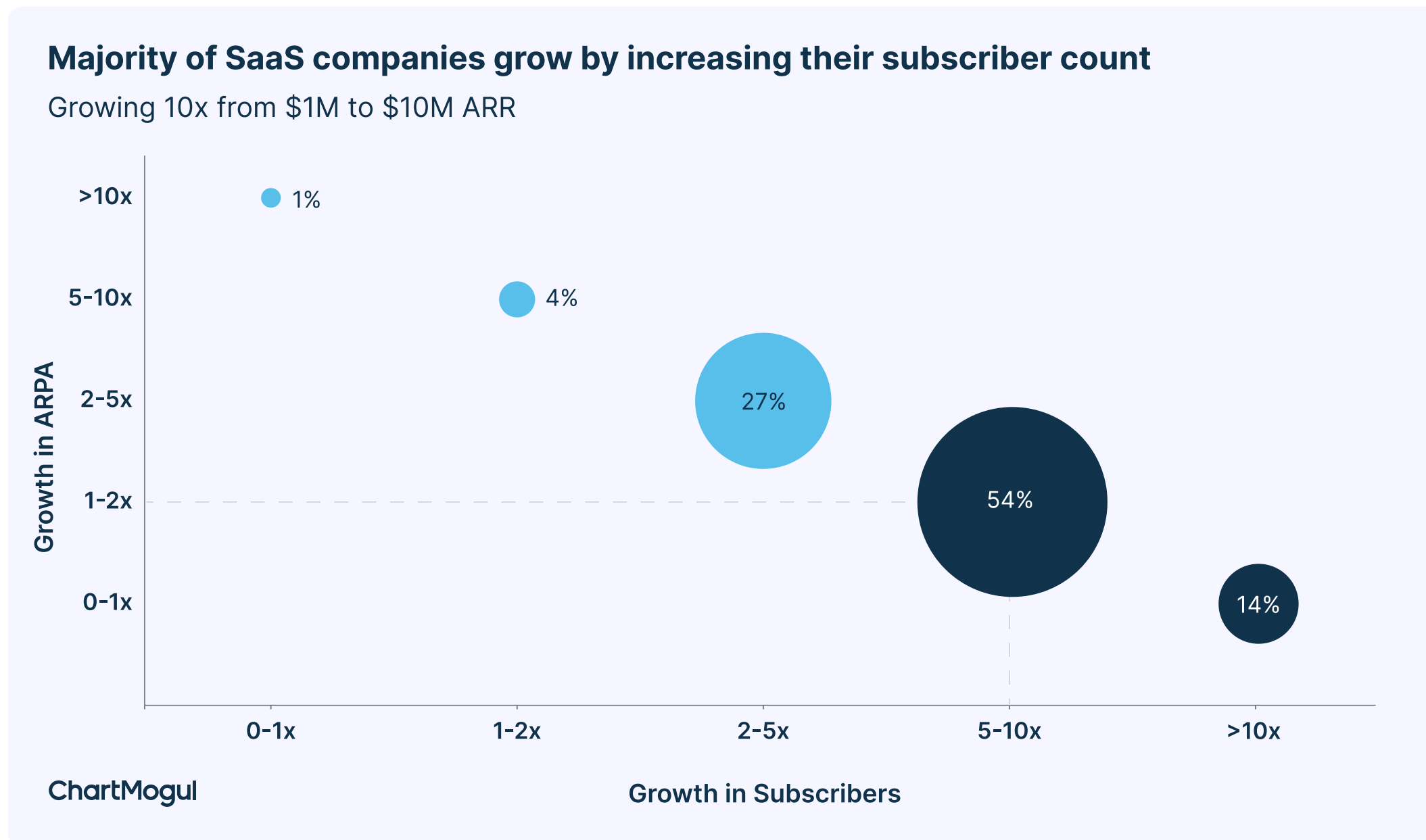
% of companies that are able to reach a revenue milestone



Growing 10x

The majority of SaaS startups grow from \$1M to \$10M ARR by growing their subscriber base.

For any startup, there are only two components to growth – subscriber growth and ARPA growth. Most startups grow by increasing their subscriber base. A small subset (<5%) of startups grow predominantly by increasing their ARPA.





Chapter 4

Growth Insights

Is there seasonality in SaaS growth?

Does reactivation even matter?

What percentage of contracts are annual?

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Seasonality in SaaS

SaaS is mildly seasonal. For most SaaS companies, Q1 is usually the best quarter for growth with March being the best month. Q4 is the slowest quarter. And, July and December are usually a bit slow, most likely due to holidays.

It's important to take seasonality into account. By considering seasonality, you can obtain a more accurate analysis of growth rates. Failing to account for these fluctuations can lead to misinterpretation of trends and potentially erroneous decision-making.

Q1 is the best quarter for growth while Q4 is the slowest

Quarter-over-quarter growth rates

	<\$1M ARR		\$1-30M ARR	
	Median	Top Quartile	Median	Top Quartile
Q1	15.2%	46.4%	8.0%	15.6%
Q2	12.5%	41.1%	7.1%	14.5%
Q3	13.7%	41.7%	7.3%	14.7%
Q4	12.3%	40.8%	6.4%	13.9%

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July and December are slowest months for SaaS growth

Month-over-month growth rates

	<\$1M ARR		\$1-30M ARR	
	Median	Top Quartile	Median	Top Quartile
Jan	4.2%	14.6%	2.3%	5.2%
Feb	3.7%	13.4%	2.2%	4.4%
Mar	4.5%	14.9%	2.8%	5.6%
Apr	3.4%	13.0%	2.0%	4.7%
May	3.6%	13.3%	2.1%	4.7%
Jun	3.2%	12.3%	2.1%	4.5%
Jul	2.9%	11.2%	2.0%	4.3%
Aug	3.8%	13.1%	2.2%	4.5%
Sep	3.7%	12.8%	2.4%	4.8%
Oct	3.9%	13.1%	2.3%	4.8%
Nov	3.6%	12.5%	2.1%	4.5%
Dec	2.4%	10.9%	1.5%	3.7%

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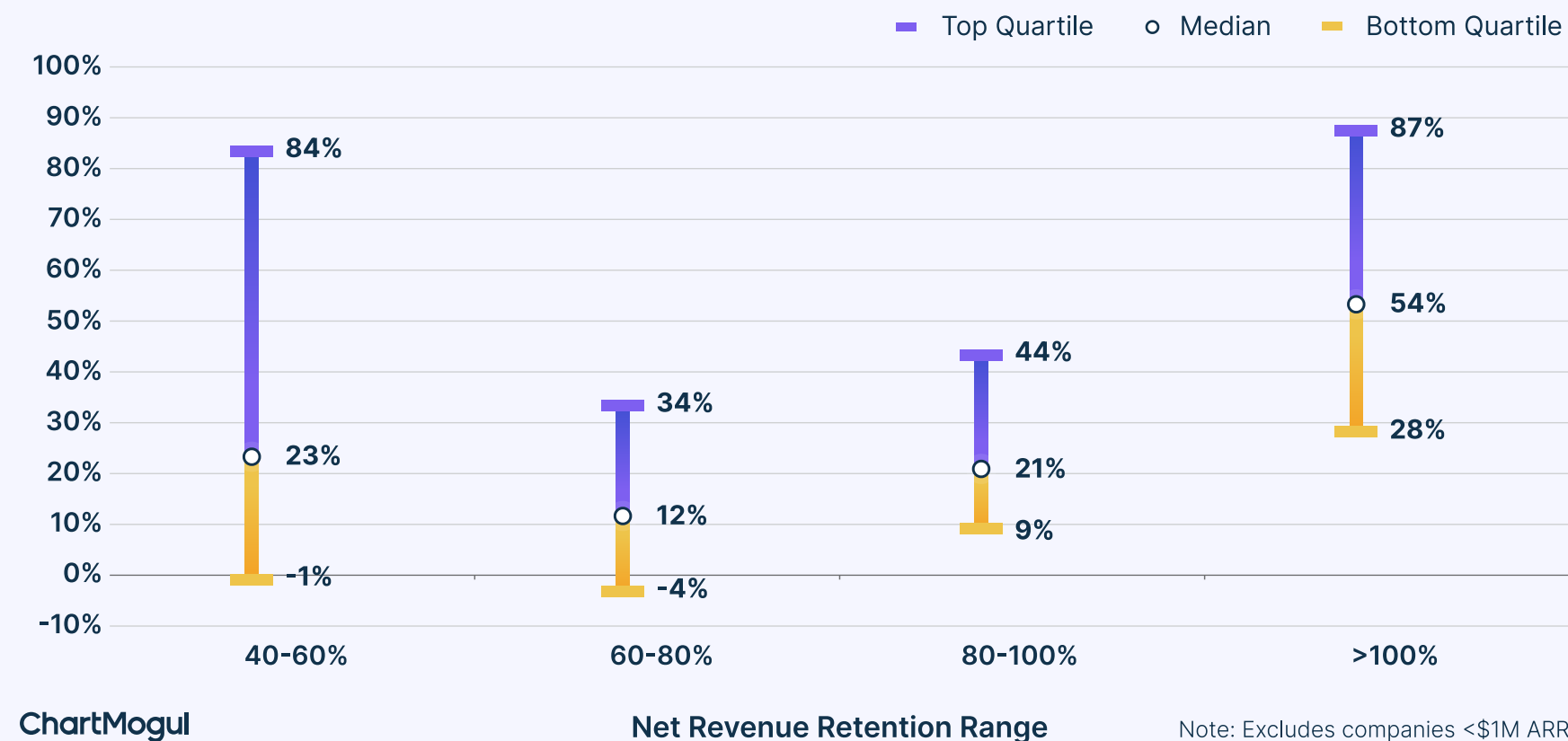
Retention = Faster Growth

Companies with best-in-class retention grow at least 2.3x faster than their peers.

Retention is the key to growth in today's market. On average, SaaS businesses with a net retention rate of over 100% grew 54% in the last 12 months. In comparison, businesses with net retention in the 60-80% range grew by just 12%. Note: those able to grow despite having retention less than 60% are typically B2C companies.

Companies with higher retention grow faster

Year-over-year growth in ARR by net revenue retention



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Net Revenue Retention Range

Note: Excludes companies <\$1M ARR



"In reality, for every B2B SaaS business retention becomes the biggest growth driver in a way. So it is worth focussing on retention really from day one, perhaps even before you actually have any meaningful retention data to look at."

Nick Franklin, Founder & CEO, ChartMogul

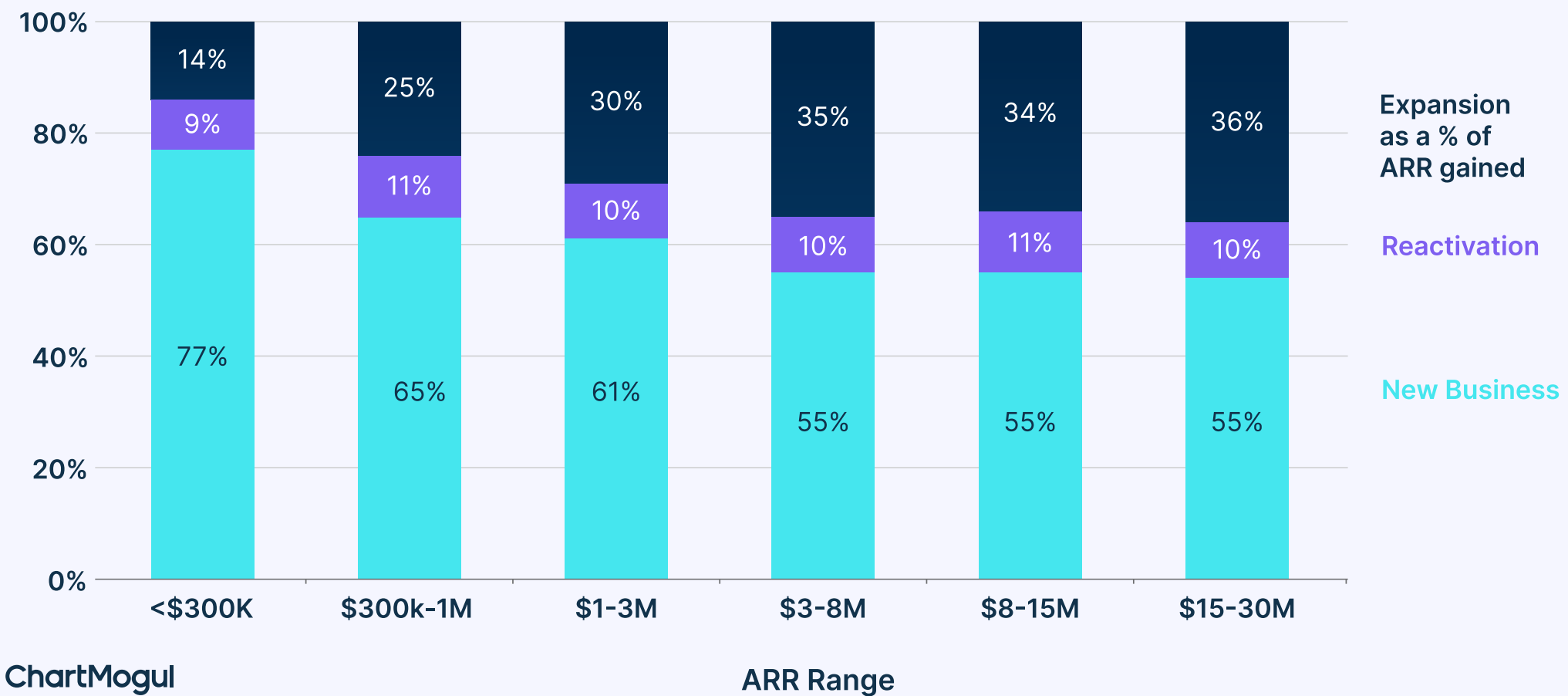
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Expansion as a Growth Driver

The higher the ARR, the higher the percentage of revenue that comes from expansion. 36% of revenue added for SaaS business with ARR in the range of \$15-30m comes from expansion. At scale, if you are not upselling or cross-selling to your existing customers you are missing out on key growth opportunities.

Expansion accounts for a third of all revenue gained post \$1M ARR

Split of ARR gained by ARR range



For businesses with an ARPA over \$1K/month, ~40% of revenue added comes from expansion.

At higher ARPAs, companies are able to upsell and cross-sell much more. This means higher expansion revenue. As you'd expect, this drives up the net retention rates at higher ARPAs.

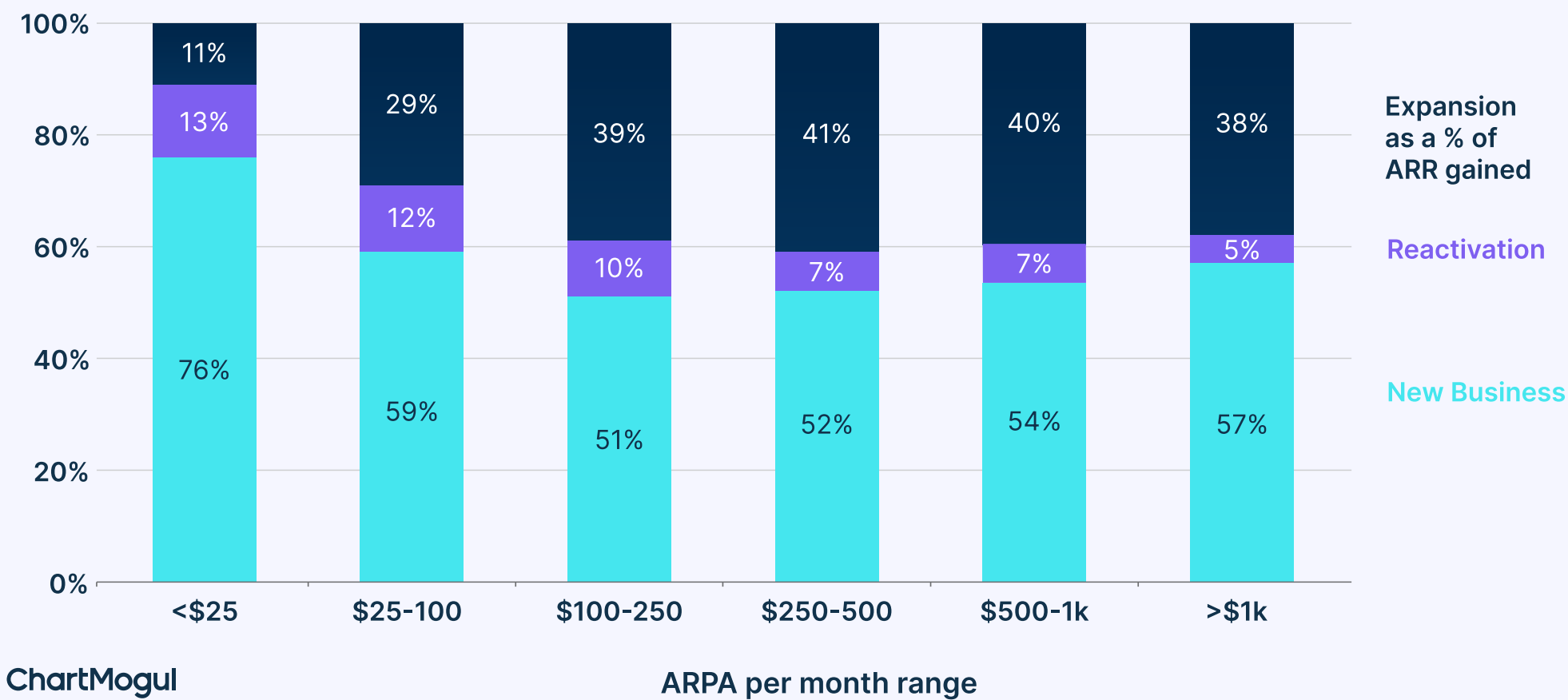


"As companies mature past product-market fit, embracing expansion becomes key to efficient growth. I love hearing from founders about how they sequence product expansion efforts within their roadmap, which of course can vary by industry."

**Akash Bajwa, Investor,
Earlybird Venture Capital**

For B2B businesses, expansion accounts for ~40% of ARR gained

Split of ARR gained by ARPA range



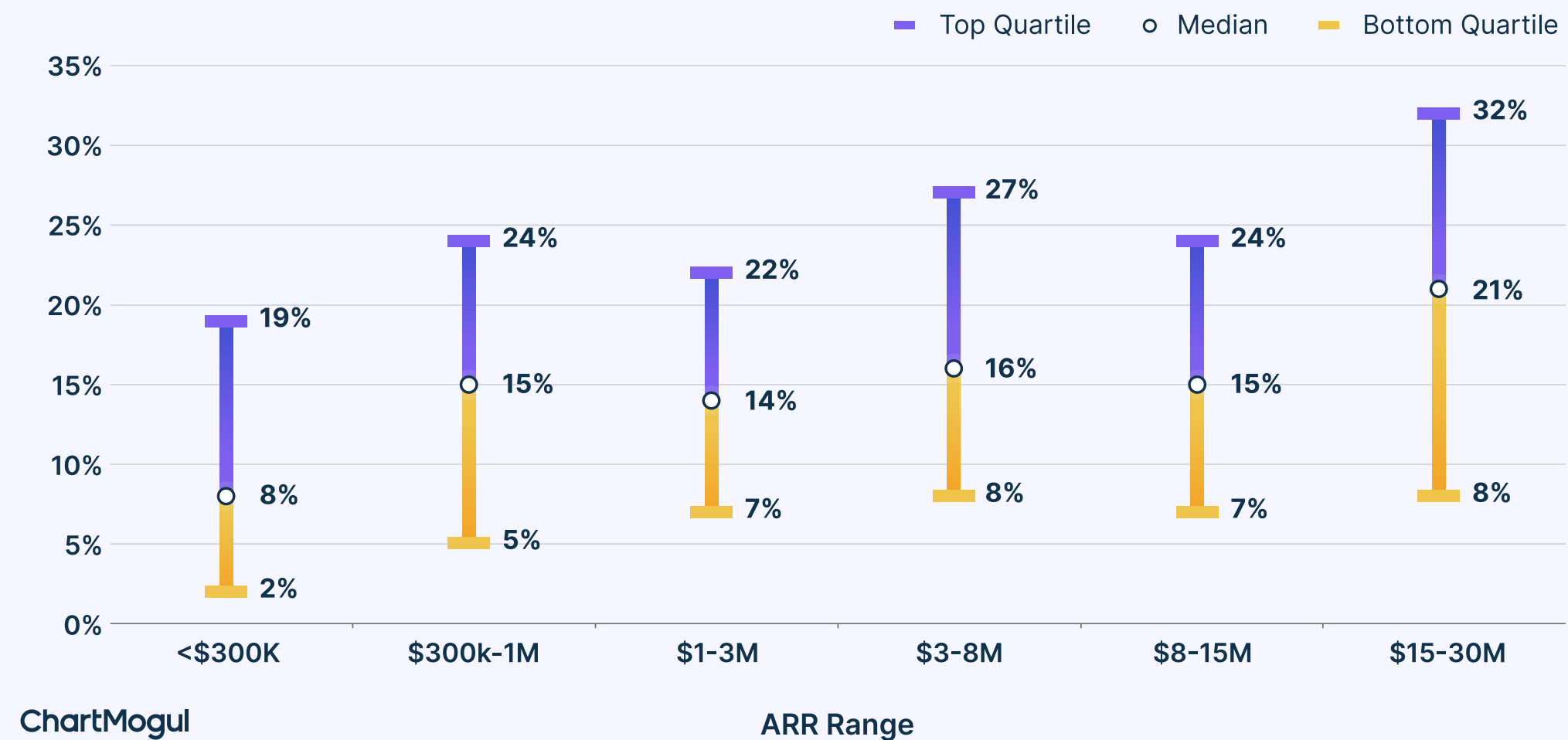
Reactivation as a Growth Driver

The top quartile of SaaS companies reactivate close to a quarter of their lost customers.

Having well-run reactivation campaigns is a low-hanging fruit that you should definitely try. These customers are already familiar with your product and the cost to re-acquire them is relatively low.

Reactivation can be as high as 30% of your churned ARR

Reactivation to churn ratio by ARR range

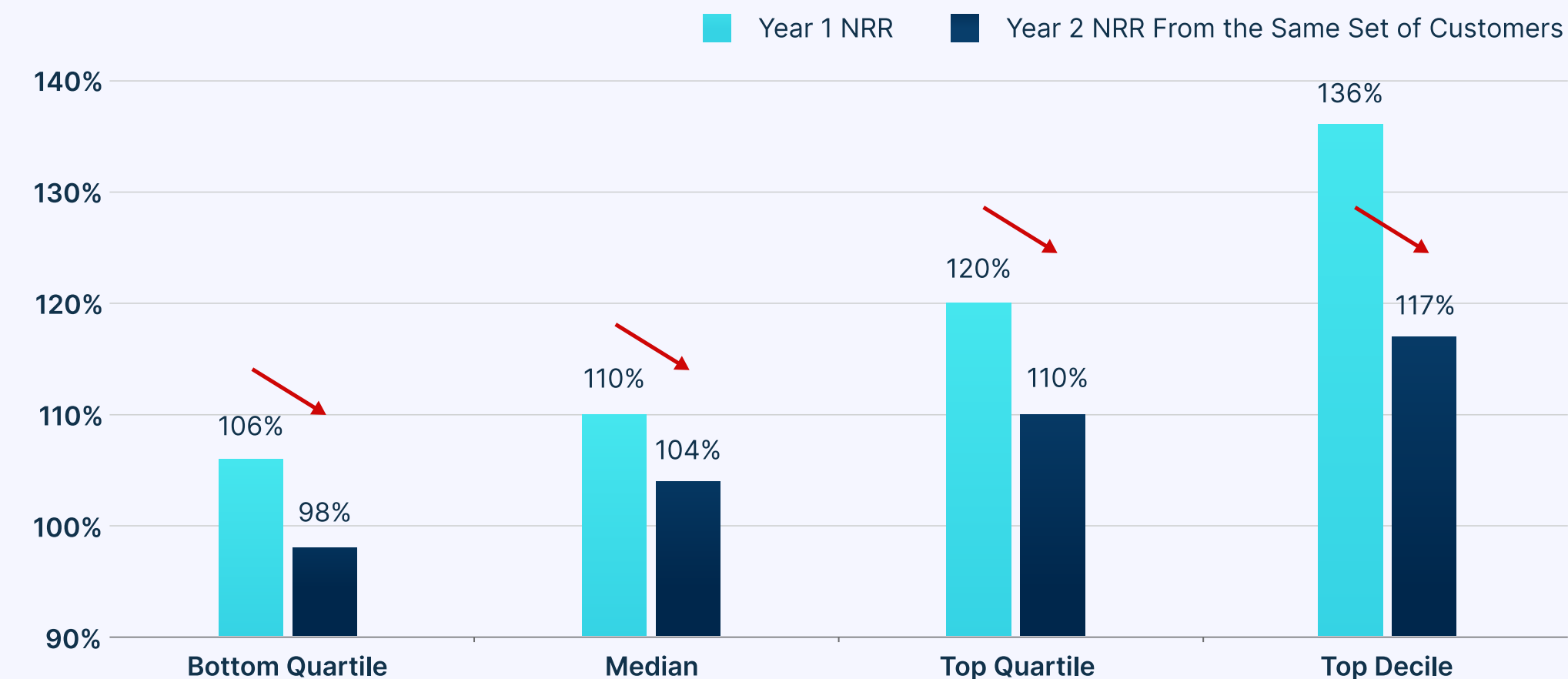


Eternal Growth

Does a net retention rate over 100% mean that you can grow organically forever? Sadly, no. Retention starts to decay in year two. See the chart below. It shows the net retention rate in year 1 and year 2 for companies that have net retention >100%.

Net retention drops if there is no new business

Net revenue retention trend for companies with NRR >100%



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Note: Only include companies >\$3m ARR

As you'll notice, with no new business in year one, net retention rates start to drop. This is because of lower expansion and higher churn in year two when compared to year one.

In our analysis, we found that new business customers expand the most in year one of their tenure (as they ramp up their usage and get fully onboarded).

Given that there was no new business in year one, hence the lower support from expansion.

Billing Frequency

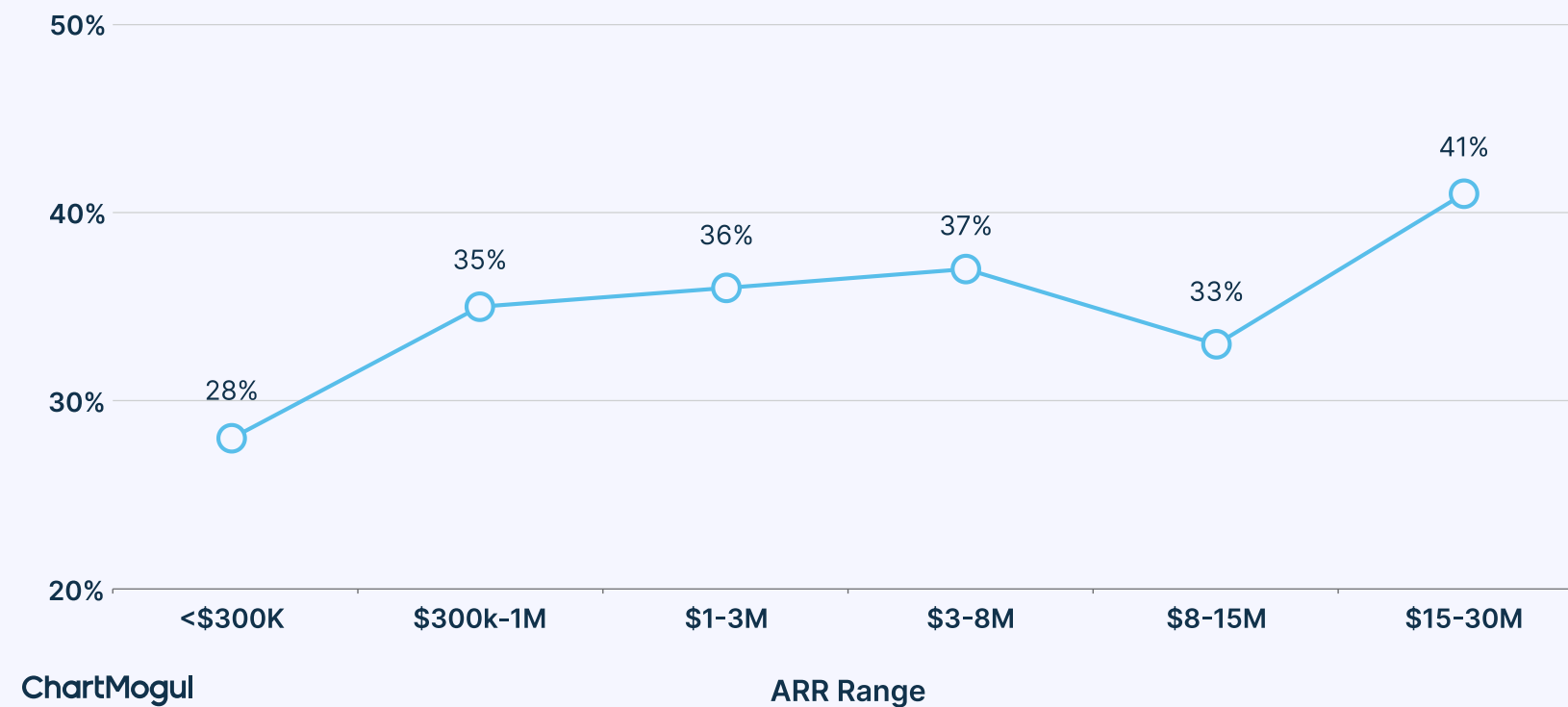
As companies scale, the proportion of revenue coming from annual plans increases. Companies with ARR in the range of \$15–30M get 41% of their ARR from plans 12 months or longer. For companies just starting out (<\$300K ARR) that number is 28%.

B2C companies get almost half of their revenues from annual plans.

This is because of two reasons: i) Churn is usually higher for B2C companies, hence companies want to lock in customers on annual plans, and ii) Payments are optimized better on annual plans.

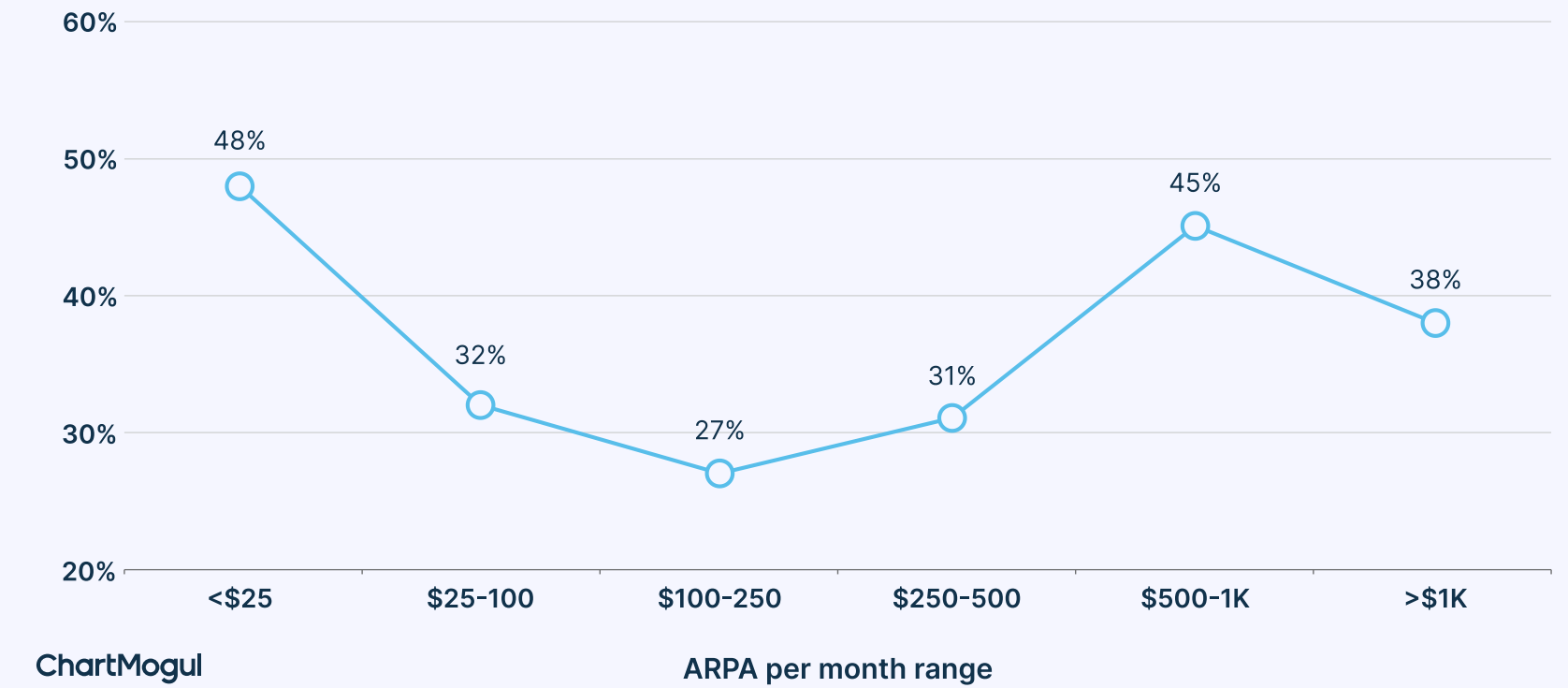
As companies scale, the proportion of ARR from annual plans increases

% ARR that comes from annual plans (incl. >12 months)



B2C companies get almost half their revenue from annual plans

% ARR that comes from annual plans (incl. >12 months)



We didn't find any correlation between billing frequency and growth rates but this continues to be a research area for us.

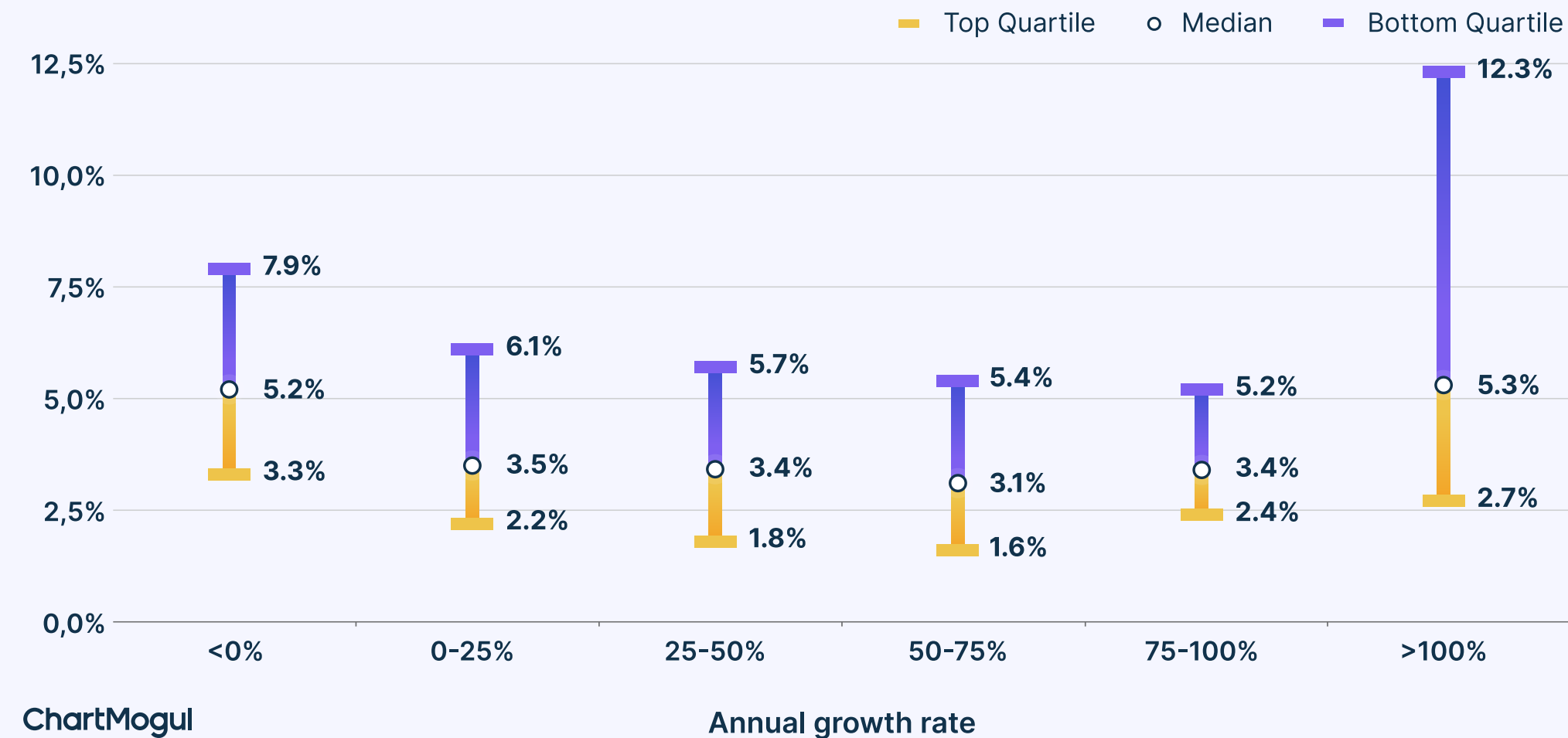
Churn and Growth

A higher growth rate sometimes brings a higher churn rate.

This is particularly true for early-stage B2C companies. This is because a lot of customers sign up (due to virality) and then churn in the first few months. The likelihood of churn is highest in the initial few months.

Higher growth rate sometimes brings a higher churn rate

Customer churn rate by different growth rates



Methodology and Glossary

We analyzed anonymized and aggregated data from ChartMogul to calculate all aggregates.

Unless stated otherwise, we calculated all benchmarks and aggregates over 12 months ending Jun '23. For milestone research and seasonality analysis, we used data across all time periods.

All aggregates by ARPA per month range exclude companies less than \$300K in ARR.

ARPA: Average Revenue per Account = (Total Revenue / Total # of customers)

ARR: Annual Run Rate (MRR x 12)

B2B: Business to Business (usually ARPA >\$25/month)

B2C: Business to Consumer (usually ARPA <\$25/month)

MRR: Monthly Recurring Revenue

New Biz: New Business

YOY: Year-over-Year

For more research go to

[ChartMogul.com](https://www.chartmogul.com)

