GTM Metrics & Insights Index

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UNION SQUARE CONSULTING

Category	Metric	Definition	Formula	Insights
GTM EFFICIENCY METRICS	**CAC**	CAC is the cost to acquire one new customer.	**Sales & Marketing Expense / Number of Customers Acquired**	Unblending our funnel and looking at the CAC for each segment gives us a much more meaningful view of how our resources are being spent throughout the funnel. Remember, high CAC isn't always a bad thing, depending on the value of the customers.
GTM EFFICIENCY METRICS	**Blended CAC Ratio**	Blended CAC Ratio is the cost to acquire one new dollar of ARR.	**Sales & Marketing Expense / New & Expansion $ARR**	This can be broken down further into new business or expansion to give us a better idea of how our investments in sales and marketing are translating into revenue.
GTM EFFICIENCY METRICS	**CAC Payback**	CAC Payback Period tells us the number of months it takes us to recoup our investment in sales and marketing.	**Sales & Marketing Expense / Net New MRR x Gross Margin %**	This is sometimes measured by revenue or MRR. However, we prefer measuring it in Gross Margin as that tells a more accurate story on the time to recoup our costs.
GTM EFFICIENCY METRICS	**LTV:CAC**	LTV:CAC tells us the total revenue we can expect during the lifetime of the average customer for every dollar we spend to acquire that customer.	**LTV (Average Revenue per Customer / Revenue Churn) / CAC (Sales & Marketing Expense / Number of Customers Acquired)**	Anything over 3:1 or $3 is commonly viewed as healthy. Estimating LTV 10, 20, 30 years out is quite speculative, though, so some prefer to limit it to the expected value in the first five years.
GTM EFFICIENCY METRICS	**Magic Number**	The Magic Number tells us the total revenue growth for every dollar spent on sales and marketing.	**(Current Qtr Rev – Prev Qtr Rev) x 4 / Sales & Marketing Expense Prev Qtr**	This is quite a short-term metric, as numbers can change radically quarter over quarter and what we spent last quarter will impact revenue much further out. We prefer the longer-term metrics below.
GTM EFFICIENCY METRICS	**GTM Efficiency Ratio**	GTM Efficiency Ratio tells us the cost to generate $1 of additional ARR. (From new business, plus expansion, minus churn.)	**Sales & Marketing Spend / Net New $ARR**	This measures the overall efficiency of our entire GTM Engine by looking at all costs to acquire and expand customers vs. the revenue growth achieved from those investments
GTM EFFICIENCY METRICS	**GTM Efficiency Margin**	GTM Efficiency Ratio tells us what it costs to generate $1 of additional Gross Margin.	**Sales & Marketing Spend / Net New $ARR x Gross Margin %**	This takes GTM Efficiency Ratio one step further by including the cost to serve customers, or COGS. It provides an even more holistic view of all revenue and costs in GTM.
FINANCIAL METRICS	**Rule of 40**	The Rule of 40 states that if our Growth Rate + Profit Margin is ≥ 40%, we have a healthy business.	**Growth Rate % + Profit Margin % ≥ 40%**	High growth businesses are often not profitable and this rule helps us understand if our growth is enough to make up for low or negative profitability.
FINANCIAL METRICS	**Bookings**	Bookings are the signed contracts we have for $ARR, as well as other things like one-time services, if we have them.	**Total Closed Won Sales ($ARR or Revenue)**	It's important we track bookings carefully, breaking them apart by bookings from new customers vs. expansion vs. renewals. This will help us calculate other metrics such as Growth Rate and ASP.
FINANCIAL METRICS	**Growth Rate**	Growth Rate is the percent change in ARR or revenue over time.	**Current Year $ARR – Last Year $ARR / Last Year $ARR**	This is usually a popular metric for stakeholders, but a high growth rate doesn't necessarily mean the business is profitable, sustainable, or financially healthy.
FINANCIAL METRICS	**Gross Margin**	Gross Margin tells us how profitable our products and customers are after we pay all costs of providing our product/service.	**Total Revenue – Cost of Goods Sold**	Healthy margins are critical for a profitable and scalable business. We can break this down by segment to get a more informed perspective on the channel and/or products we should consider making changes to.
FINANCIAL METRICS	**Gross Margin %**	Taking this number and dividing by our total revenue gives us Gross Margin as a %.	**Gross Margin / Total Revenue**	This is extremely helpful when benchmarking against other companies, and within our company across different products, categories of customers, etc.
FINANCIAL METRICS	**Net Income (Profit)**	Net Income shows us profit left over after deducting all costs including COGS and SG&A.	**Revenue – COGS – SG&A**	This is a key metric in calculating many other profitability metrics.
FINANCIAL METRICS	**FCF**	Free Cash Flow is the amount of cash a business has left over after all costs of maintaining operations.	**Net Income + Non-Cash Expenses + Increase in Working Capital**	The more FCF a company has, the more money it can allocate to dividends, paying down debt, and investing in growth opportunities.
FINANCIAL METRICS	**FCF Margin**	Free Cash Flow Margin shows the amount of revenue that is converted into FCF.	**FCF / Total Revenue**	A high FCF margin shows revenue efficiency and strong cash flow generation. This makes it easier for investors to compare companies of varying sizes within the same industry.
FINANCIAL METRICS	**EBITDA**	EBITDA looks at earnings before subtracting the costs of interest, taxes, depreciation, and amortization.	**Net Income + Interest + Taxes + Depreciation + Amortization**	This is a common metric for later stage investors that estimates the income and cash flow of the business. It removes costs that may be very different for future owners of the business.
FINANCIAL METRICS	**OpEx Profile**	Operating Expenses are the day-to-day costs of operating a business.	**S&M% of Revenue = Sales & Marketing Expense / Total Revenue**	For the purpose of this Index, we'll just look at Sales and Marketing Expense as a percentage of revenue, but a CFO would look at each and every area of the business to determine if they are overspending or underinvesting.

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PIPELINE GENERATION METRICS	**Lead Generation (MQLs)**	Marketing Qualified Leads we've generated through each channel and Lead Source.	**MQLs**	MQLS should always be broken down to as small a unit as possible to see exactly how many leads are being generated from each individual marketing segment, as not all leads are created equal. Clear MQL criteria must be defined and adhered to.
PIPELINE GENERATION METRICS	**Pipeline Generation (# and $)**	This is the total number or dollar value of Sales Qualified Opportunities we've generated.	**#SQOs or $SQOs**	This is first broken down into New Business vs. Expansion. Within New Business it's then broken down by channel and then further broken down by Lead Source. Looking at real qualified pipeline tells us more about each channel than MQLs or outbound meetings.
PIPELINE GENERATION METRICS	**Meetings Booked & Held**	For outbound prospecting, since we don't have MQLs, our best leading indicator of Pipeline Generation is the number of meetings booked.	**#Meetings Held**	We may also want to look at the number of meetings actually held if we have a lot of no-shows. Additionally, if our inbound leads are not asking for a meeting, it may be advantageous to track meetings booked and held as KPIs between the MQL and the SQO.
PIPELINE GENERATION METRICS	**Sales Activity**	How many calls, emails, LI DMs, etc. has our team logged to prospect into new accounts and/or to expand existing accounts?	**Sales Activity Count**	Sales Activity levels tell us if our reps are working hard, which accounts they're working, and enable us to track the conversion rate from activities to meetings, pipeline, and new customers.
PIPELINE GENERATION METRICS	**Conversion Rates**	Conversion Rate is the percentage of times a lead has completed a desired action.	**(Total Goal Completions / Total Pre-Goal Instances) x100**	We should look at the conversion rates across the entire customer journey, as well as by team, rep, product, customer type, geography, etc. Here are just a few of the conversion rates we would look at: • MQL to SQO • Meetings Booked to SQO • Sales Activities to Meetings Booked
PIPELINE METRICS	**Close Rate**	Close Rate looks at the number of deals we won over the total number of deals we both won and lost.	**# of Closed Won Deals / # of Closed Won & Closed Lost Deals**	The sweet spot for close rates is between 25%-50%. Higher than this, and reps are likely sandbagging. Lower than this, and reps are likely chasing unqualified deals. Both can be true at any Close Rate though.
PIPELINE METRICS	**ASP**	Average Sales Price is the average value of deals being closed.	**Total Sales ($ARR) / # of Closed Won Deals**	This can give us a better idea of the types of deals we're closing, if we need to revisit pricing or ICP, or if we need to change our marketing strategy for specific products, etc.
PIPELINE METRICS	**Sales Cycle**	Sales Cycle is simply the number of days between the date we created the qualified opportunity and the date it was Closed Won.	**Closed Won Date – Created Date (In Days)**	It's very important here to look ONLY at Closed Won deals. Closed Lost deals almost always have much longer sales cycles and this doesn't tell us how long it takes to win a deal.
PIPELINE METRICS	**Pipeline Velocity**	Pipeline Velocity combines Close Rate, ASP, and Sales Cycle with the total number of qualified deals created to give us a sense of how fast we're moving revenue through our funnel.	**Close Rate x ASP x SQOs / (Sales Cycle / Timeframe)**	This metric doesn't mean much on its own, but as it trends up or down it tells us if we're improving our revenue production or not. It allows us to see changes faster than waiting for bookings numbers.
CUSTOMER SUCCESS METRICS	**Gross Retention Rate (GRR)**	Gross Retention Rate measures the percentage of revenue retained from existing customers, excluding upsells or expansions.	**Starting $ARR – Churn $ARR / Starting $ARR**	Churn is the inverse of GRR, representing the percentage of revenue lost due to customer cancellations and downgrades. GRR is a pure retention metric, revealing how well the company maintains its core revenue without growth from expansions or new business.
CUSTOMER SUCCESS METRICS	**Expansion $ARR**	Expansion ARR measures additional revenue from existing customers through upsells, cross-sells, and add-ons.	**Total $ARR of Closed Won Expansion Sales**	This is a critical indicator of the CS team's ability to grow accounts over time and enhance the customer's investment in the platform. Expansion can also be looked at through the lens of Pipeline Metrics and Pipeline Generation Metrics, from sales activities to meetings to Expansion SQOs created to Close Rate, ASP, and Sales Cycle.
CUSTOMER SUCCESS METRICS	**Net Revenue Retention (NRR)**	NRR measures the growth or decline of revenue from existing customers over a set period, including expansions, contractions, and churn.	**Starting $ARR - Churn $ARR + Expansion $ARR / Starting $ARR**	High NRR (+100%) indicates a sustainable business that grows with or without new business. Low NRR indicates a business that is constantly shrinking and only held afloat by new customers.
CUSTOMER SUCCESS METRICS	**Customer Health Ratings**	Customer Health Ratings are a collection of unique metrics for each organization. They measure how healthy the customer is.	• **Percentage of Users Logged in over the past X days/weeks** • **Percentage of certain features utilized** • **Number of customer service cases** • **Number of unpaid invoices**	Often, CS teams will look at the customers that renew and the customers that don't, try to spot trends, and then aggregate these unique metrics into a simple red, yellow, green ranking for each account. It's critical to identify which customers are at risk of churn long before the renewal and take action to get those customers healthy.
CUSTOMER SUCCESS METRICS	**Onboarding**	Onboarding is another form of customer health where metrics will be extremely unique to each organization.	• **Percentage of customers onboarded on time** • **Onboarded yes/no** • **Days since kickoff** • **Milestones reached/missed**	To measure it we need to define the onboarding process and select KPIs to measure it. We need an objective way to tell if a customer has been onboarded properly, met or missed key milestones, and/or is behind schedule.