

SOFTWARE SALES METRICS CHECKLIST

10 Numbers That Determine If
Your Business Is Healthy



Most software businesses find out something is wrong at the quarterly review, three months after the problem started. These 10 metrics, reviewed weekly, tell you what is happening before it compounds.

Key Takeaways

- These 10 metrics cover every layer of software business health: acquisition, conversion, retention, and margin
- NRR and Day 7 activation rate are the two most predictive metrics for long-term revenue growth
- CAC payback period above 12 months is the earliest signal that your acquisition or conversion model needs fixing
- Reviewing weekly rather than monthly gives you time to act before a trend becomes a crisis

The 10 Metrics: Full Reference Table

Metric	Definition	Formula	Target	Off-Target Signal
ARR Growth	Annual recurring revenue growth rate	$(\text{Current ARR} - \text{Previous ARR}) \div \text{Previous ARR}$	15% or more per month	Flat or declining ARR means acquisition or expansion is stalling
Net Revenue Retention (NRR)	Revenue retained from existing customers including expansions	$(\text{Starting MRR} + \text{Expansion} - \text{Churn} - \text{Contraction}) \div \text{Starting MRR}$	120% or higher	Below 100% means you are losing more than you are expanding
Gross Revenue Retention (GRR)	Revenue retained before upsells or expansions	$(\text{Starting MRR} - \text{Churn} - \text{Contraction}) \div \text{Starting MRR}$	90% or higher	Below 85% indicates a churn problem that expansion cannot mask
Gross Margin	Revenue minus cost of delivering the software	$(\text{Revenue} - \text{COGS}) \div \text{Revenue}$	80% or higher	Below 70% suggests infrastructure or support costs are too high

CAC	Fully loaded cost to acquire one customer	Total sales and marketing spend divided by number of new customers	Under \$500 for SMB	Rising CAC with flat conversion means channel efficiency is declining
CAC Payback Period	Months to recover the cost of acquiring a customer	CAC divided by Monthly Gross Profit per Customer	Under 12 months	Above 18 months makes the business difficult to scale without large capital
LTV to CAC Ratio	Lifetime value of a customer relative to acquisition cost	LTV divided by CAC	3:1 or higher	Below 2:1 means you are spending too much to acquire relative to what customers generate
Rule of 40	Combined growth rate and profitability as a health benchmark	Revenue Growth Rate plus EBITDA Margin	Above 40	Below 20 indicates the business is neither growing fast enough nor profitable enough
Trial-to-Paid Conversion	Percentage of trial users who become paying customers	Paid Conversions divided by Trial Signups	20 to 30%	Below 15% is an onboarding or activation problem, not a pricing problem
Day 7 Activation Rate	Percentage of trial users reaching first value moment by Day 7	Users completing activation event by Day 7 divided by total trial signups	Above 60%	Below 40% means buyers are not seeing value before they lose interest

What to Do When a Metric Is Off Target?

Metric Off Target	Most Likely Cause	First Fix
ARR Growth flat	Acquisition or expansion stalling	Audit ICP targeting and upsell trigger sequences
NRR below 100%	Churn exceeding expansion	Review onboarding quality and Day 7 activation rate
GRR below 85%	High churn before upsells	Run exit interviews with churned customers in the last 90 days
Gross Margin below 70%	Infrastructure or support costs too high	Audit COGS line by line and review support ticket volume
CAC rising	Channel efficiency declining or ICP drift	Segment CAC by channel and cut lowest-performing spend
CAC Payback above 18 months	Acquisition cost too high or conversion too low	Fix trial conversion before increasing acquisition spend
LTV to CAC below 2:1	Overspending on acquisition or high churn	Address churn first. Reducing CAC without fixing retention compounds the problem
Rule of 40 below 20	Neither growing fast nor profitable	Prioritize NRR improvement over new acquisition spend
Trial conversion below 15%	Buyers not reaching value during trial	Add concierge onboarding and in-app guidance to first session
Day 7 activation below 40%	Onboarding is passive or first win is unclear	Redefine activation event and build a guided path to it

How to Use This Checklist?

Weekly review (15 minutes):

- Pull all 10 metrics from your dashboard
- Flag any metric that has moved in the wrong direction for two consecutive weeks
- Treat two-week trends as priorities, not observations

Monthly review (45 minutes):

- Identify which one metric is furthest from its target
- Assign one specific operational fix to the owner of that metric
- Review the fix from the previous month. Did it move the number?

Frequently Asked Questions

Which metric should I fix first if multiple are off target?

Start with CAC payback period. If payback is above 12 months, fixing acquisition before conversion makes the problem worse. Improve trial conversion and activation rate first, then re-evaluate CAC.

What is the difference between NRR and GRR?

GRR measures retention before upsells. NRR includes expansion revenue. A business can have strong NRR but weak GRR if upsells are masking high churn. Both numbers are needed to understand the full picture.

How often should I review these metrics?

Weekly for trend detection. Monthly for root cause analysis and fix assignment. Quarterly reviews catch problems too late to act on them cleanly.

Most of these metrics going wrong at the same time trace back to one upstream failure: buyers not activating during trial. Fix Day 7 activation first. NRR, GRR, and CAC payback almost always improve downstream when upstream activation improves.

Want to fix the operational gaps behind these numbers?

[Book a free consultation with VarStreet](#) to see where your funnel is leaking.