ONE PAGE SUMMARY

Entrepreneurship & Startup › AI & Startup Technology › SaaS & Digital Product

Recurring revenue

Unlocking steady income with recurring revenue models in SaaS.

DEFINITION

> Recurring revenue is income that a business earns on a regular basis, typically through subscriptions. It's a key component for SaaS companies to ensure predictable cash flow and customer retention.

KEY CONCEPTS

Subscription Model

Customers pay a recurring fee for access to a product or service, ensuring ongoing revenue.

Customer Lifetime Value (CLV)

The total revenue a business can expect from a single customer over the duration of their relationship.

Churn Rate

The percentage of customers who stop using a service during a given time period, impacting revenue stability.

Monthly Recurring Revenue (MRR)

A metric that shows the total predictable revenue generated from subscriptions on a monthly basis.

Annual Recurring Revenue (ARR)

The total revenue a company expects to receive from subscriptions over a year, providing a long-term revenue outlook.

EXAMPLES

→ A software company charges $29 per month for access to its platform.

→ A streaming service offers a yearly subscription for $120, providing access to all content.

→ An online course platform charges $199 annually for unlimited course access.

MEMORY TIPS

★ Think of 'Recurring' as 'Repeat' – income that comes back regularly.

★ Use the acronym MRR to remember Monthly Recurring Revenue.

★ Visualize a subscription box arriving monthly to recall the subscription model.

COMMON MISTAKES

✗ Confusing one-time sales with recurring revenue.

✗ Neglecting to track churn rate, which can mislead revenue forecasts.

✗ Overestimating customer retention without understanding CLV.

QUICK RECAP

Recurring revenue is essential for SaaS businesses, providing predictable income through subscriptions. Key metrics like MRR and churn rate help assess business health and customer loyalty.