SaaS Billing Report 2025

Billing is the invisible force behind your growth

How billing strategy defines growth and retention, based on 2,500 SaaS companies.

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Executive Summary

The dominant mindset in the SaaS world is that pricing is an art, involving experimentation, psychology, positioning, strategy and vision, while billing is an execution problem.

But founders who ignore billing learn the hard way that while good pricing can sell a weak product, bad billing can sink a great one.

With competition increasing, there's a lot of buzz in the SaaS industry around new pricing models and pricing experimentation. But billing often gets ignored. When done right, billing gives you a solid foundation for pricing innovation and growth. Getting clear on billing is key to making your pricing strategy really work.

We analyzed the billing patterns of 2,500+ SaaS companies to bring you this report. Most SaaS companies use a combination of monthly and annual plans, this report focuses exclusively on monthly and annual billing. Quarterly and multi-year options exist but are far less common and usually secondary to these dominant billing models.

Sofia is the Senior Manager of Insights at ChartMogul. She is passionate about research, data and SaaS, and shares insights based on ChartMogul's data. Before joining ChartMogul, Sofia spent 5+ years at Dow Jones where she was a research manager in the venture capital division. Sofia is based in Lisbon.

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Five insights stood out in our research:

1. **Early-stage SaaS companies with mostly monthly billing grow the fastest.** The top quartile under $1M ARR saw 131% YoY growth when generating >75% revenue coming from monthly plans—and still topped 100% growth when just 50% of revenue comes from monthly plans.
2. **Annual plans consistently drive stronger retention across all ARPA levels.** Highlighting the importance of annual contracts to balance customer acquisition and revenue stability.
3. **But high-ARPA SaaS can achieve 100% NRR with monthly plans.** This was only the top decile of performers however. Reaching 100% NRR with monthly plans is a challenge for most SaaS companies.
4. **Upgrades to annual plans peak in month two.** New customers in January 2024 were 3x more likely to switch in month two than in month nine, making early activation critical.
5. **As ARPA grows, discounts spread evenly across monthly and annual plans.** Beyond $500 ARPA, custom pricing narrows the gap, shifting discounts from a retention tactic for annual plans to a flexible sales tool across both models.

This report would not have been possible without the contribution of my colleagues. A special thanks to Toni, Thomas, Bianca, Koen and Rachel for making this report happen.

Enjoy,

Sofia Faustino

Senior Manager of Insights

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What's the difference between **Pricing** and **Billing?**

	SaaS Pricing	SaaS Billing
Definition	The strategy behind how a company determines what to charge for its product.	The operational system that manages how customers are charged and payments are processed.
Key Components	Pricing models, market positioning, value metrics, competitive analysis.	Invoicing, revenue recognition, subscription management, dunning & collections.
Focus Areas	**Pricing Models** – Subscription, usage-based, freemium, tiered, per-user, per-feature. **Market Positioning** – Premium vs. budget, enterprise vs. SMB. **Value Metrics** – Pricing based on storage, API calls, seats, transactions. **Competitive Analysis** – How pricing compares to competitors.	**Invoicing & Payments** – Monthly/annual charges, one-time fees. **Revenue Recognition & Compliance** – Handling refunds, proration, discounts. **Subscription Management** – Upgrades, downgrades, cancellations. **Dunning & Collections** – Failed payments, retries, reminders.
Goal	To attract and convert customers with a compelling pricing strategy.	To ensure smooth payment processing and financial stability.
Impact	Affects customer acquisition, retention, and revenue growth.	Ensures predictable revenue, reduces churn, and maintains compliance.

Monthly vs. annual billing in SaaS

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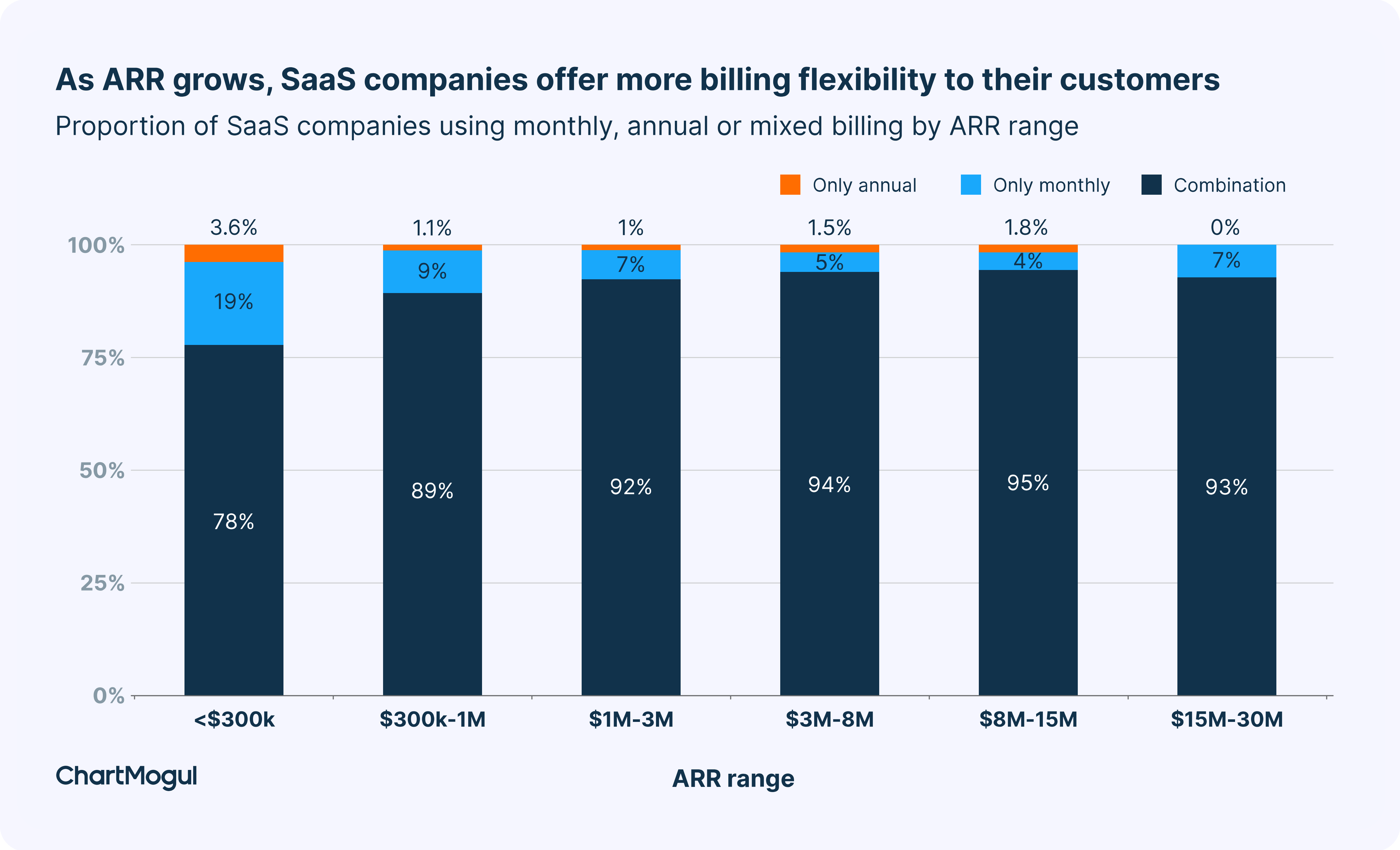
Early-stage SaaS companies (under $300K ARR) have the least billing flexibility.

19% of this segment offer monthly billing exclusively, and a further 3.6% offer annual billing exclusively. Only 78% of early-stage SaaS offer a combination of billing options.

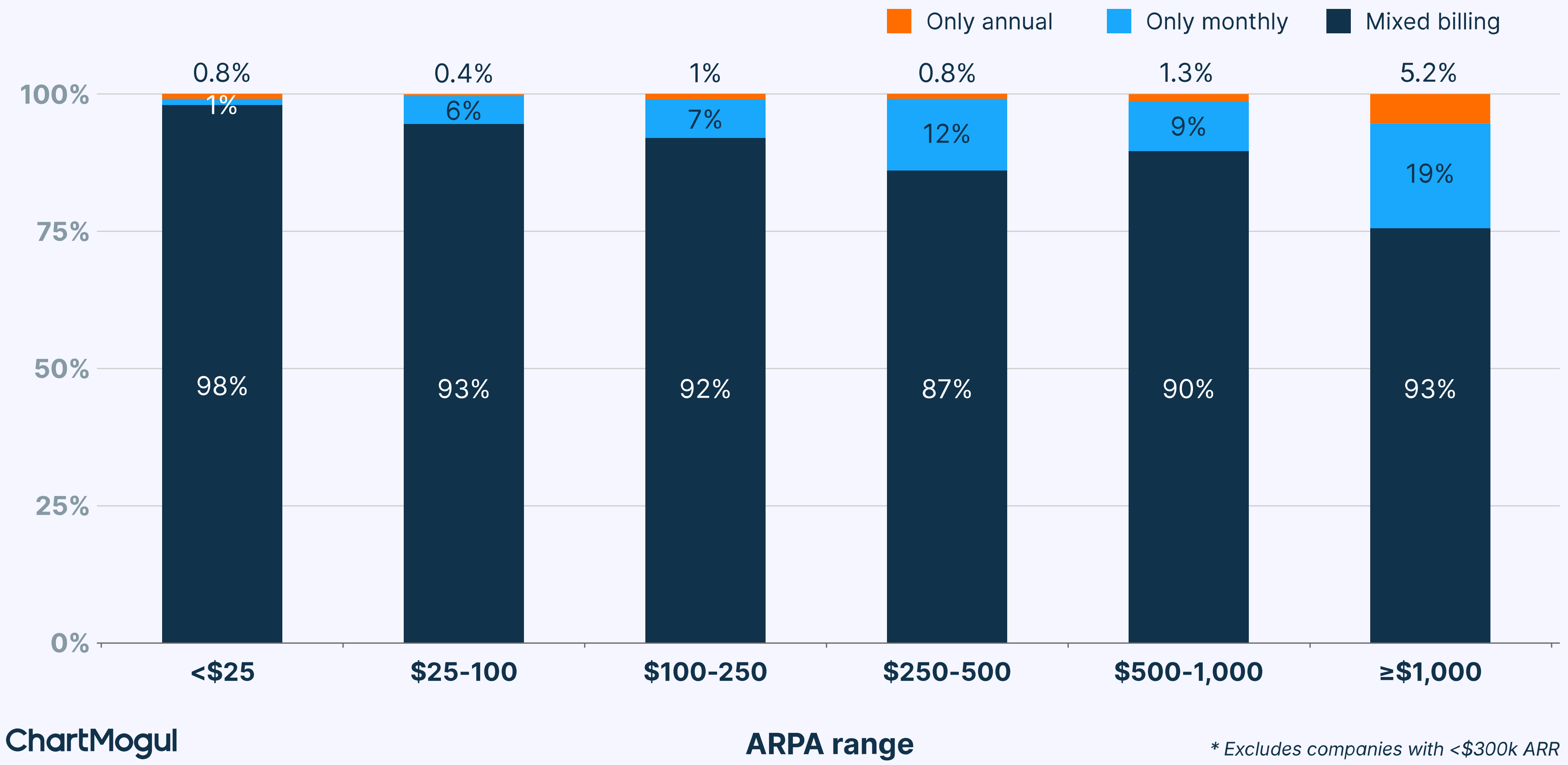
As ARR grows, SaaS companies offer more billing flexibility to their customers.

At the peak, 95% of larger SaaS companies (between $8M–15M ARR) support a combination of billing plans, and 0% of companies between $15M–30M offer annual plans exclusively.



Offering mixed billing models is the dominant trend across ARPA segments

Proportion of SaaS companies using monthly, annual or mixed billing by ARPA range



Comparing billing trends by ARPA gives us another perspective.

Offering a combination of billing options is still dominant across all segments, but a clear trend becomes visible as ARPA increases.

At ≥$1K ARPA, 19% of companies offer only monthly plans, 5.2% offer only annual plans, and 76% use a mix of both. With higher-priced SaaS products, each opportunity to win a new customer has a bigger revenue impact.

Companies chose their primary billing model based on their growth objective. For those focused on customer acquisition, monthly-only plans can lead to faster new customer growth. For other SaaS companies, retention or cash flow might be more important, so they offer only annual plans to bring more predictability to their revenue.

The reality is that most ≥$1K ARPA companies want to benefit from both low friction in the buying process with monthly plans, and strong long-term retention with annual plans.

The land and expand go-to-market model is popular in this segment, where the initial purchase starts as a monthly plan, with the team working to expand usage of the product across the customer and upgrading them to an annual plan over time.

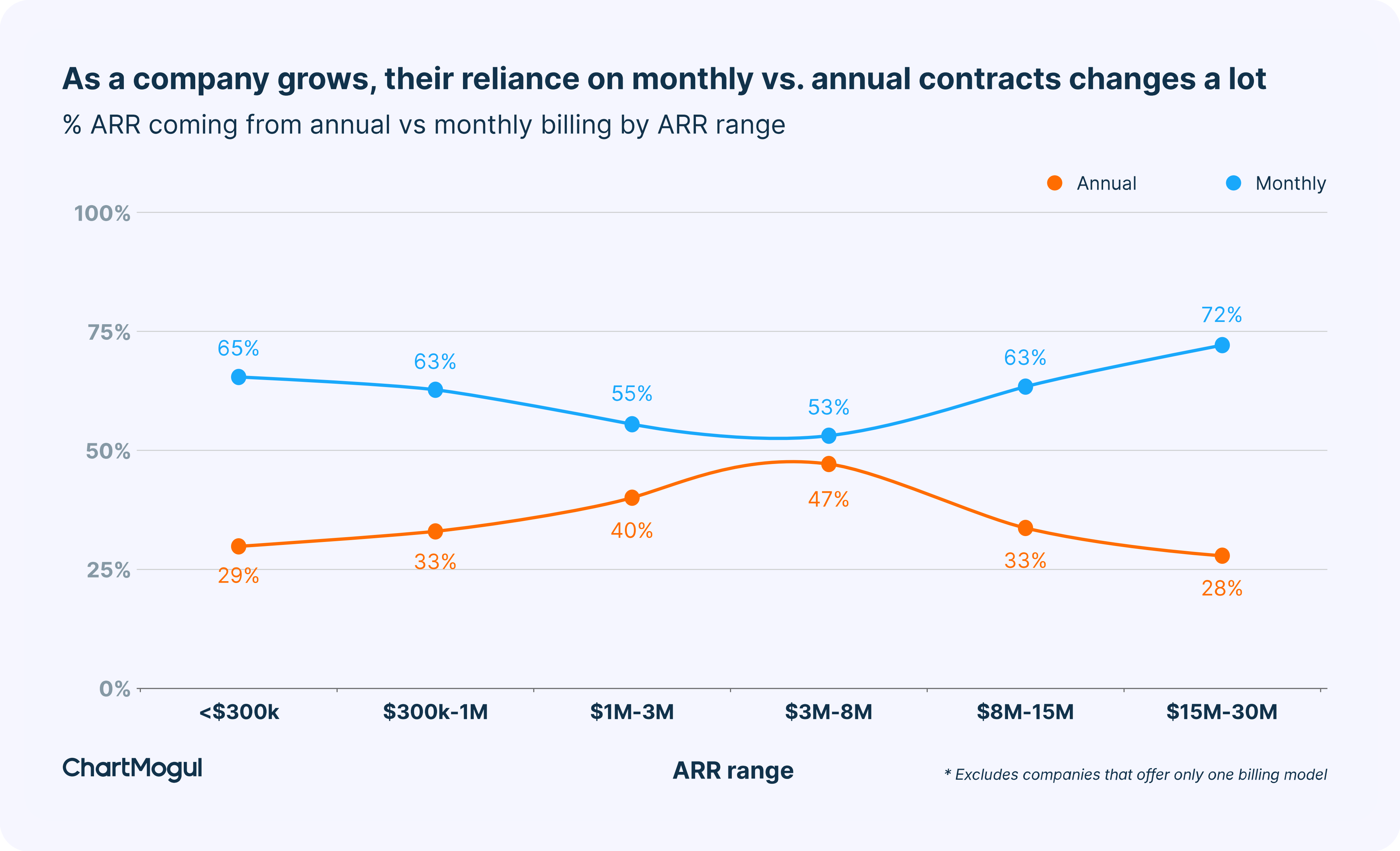
98% of companies with <$25 ARPA offer multiple billing options. At lower price points, scale is the most important factor in growth. Offering more billing flexibility helps them scale efficiently.

One thing I learned after we enabled smaller customers to self-service onto annual plans: We waited too long! The uptake rate clearly shows that there's demand for annual billing at all customer sizes, especially for essential tools like ChartMogul.

Martin Raißle, VP of Finance & Operations, ChartMogul

For companies that offer a combination of billing options, the contribution of annual billing to overall ARR peaks at $3M–8M ARR, where 47% of ARR comes from annual plans.

The trend reverses after this point, and at $15M-30M ARR we see the biggest gap between billing models where, just 28% of ARR comes from annual billing vs. 72% from monthly.



What's behind this reversal?

- Growth-stage SaaS companies between $3M–8M ARR are focused on finding go-to-market fit, which means trying out different monetization methods, experimenting with their pricing strategies and billing approach. It's at this stage where they are learning what billing will work best for them.
- Mature companies with more momentum and credibility can take on the risk of using monthly plans to help larger companies attract customers, which they can expand and generate more profit from in the long-term.
- The reliance on monthly plans for larger sized companies, could be a reaction to the current market where SaaS buyers have been more frugal and less eager to commit to annual plans. In this environment, many SaaS companies have added flexibility to billing to reduce the risk on the buyer/customer, with the long-term hope to upgrade those customers to annual plans once the market is more confident.

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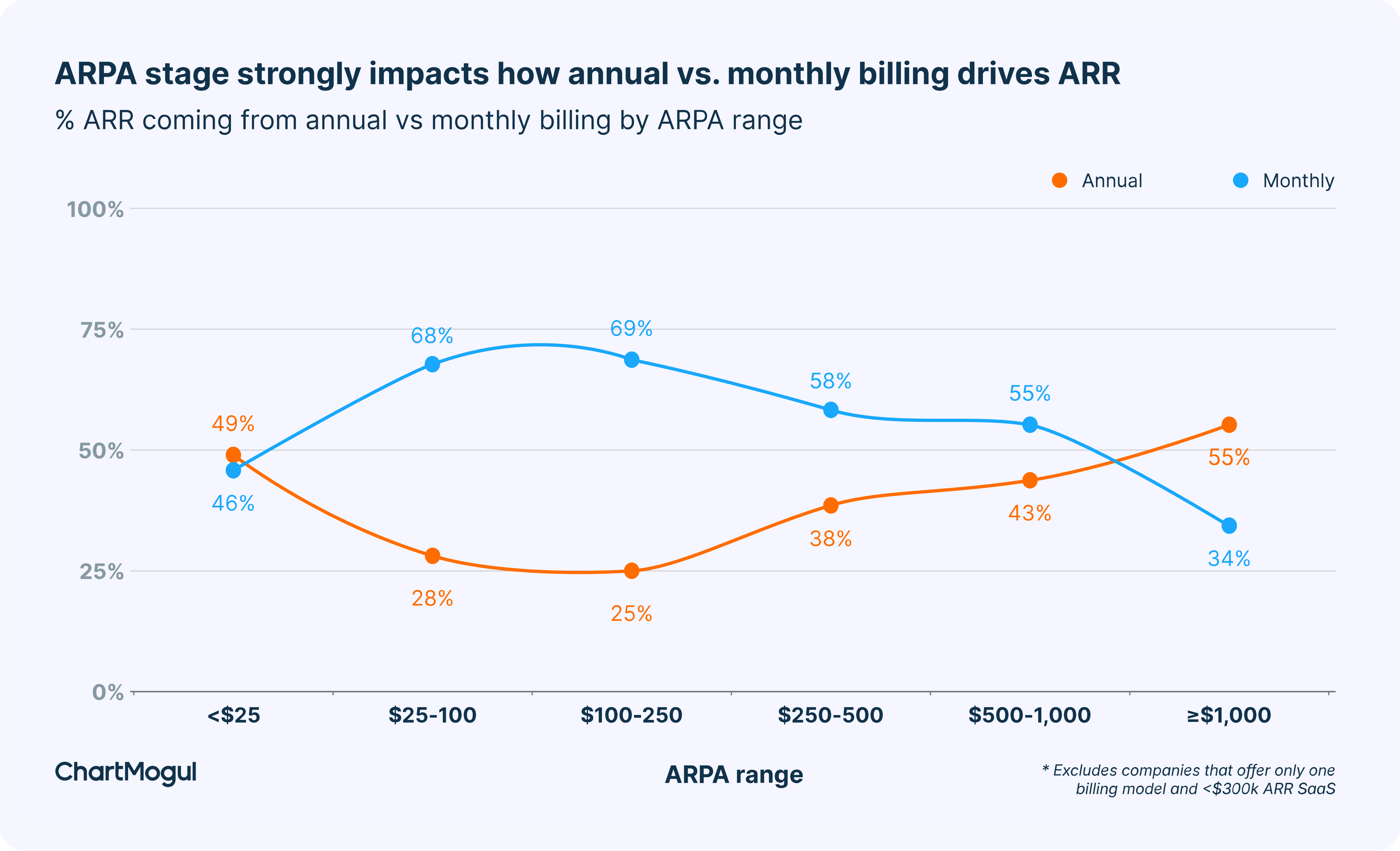


Low and high ARPA companies rely on annual contracts, while mid-ARPA SaaS companies make most of their ARR from monthly plans.

Thanks to offering a combination of billing options, companies with <$25 ARPA are able to spread their recurring revenue across monthly and annual plans, helping stabilize churn. Retention is typically more challenging for SaaS products with a lower ARPA, but locking customers into annual deals (typically with an incentive) helps mitigate and prevent churn. At this price point, moving satisfied customers from monthly to annual plans is straightforward.

In the ≥$1K ARPA segment however, companies get 55% of their ARR from annual contracts and only 34% from monthly plans. These higher-priced SaaS products tend to cater to enterprise customers who prefer structured, long-term agreements. Customers may also sign up for longer-term commitments to gain negotiating power, plus annual billing offer less hassle for finance and operations teams.

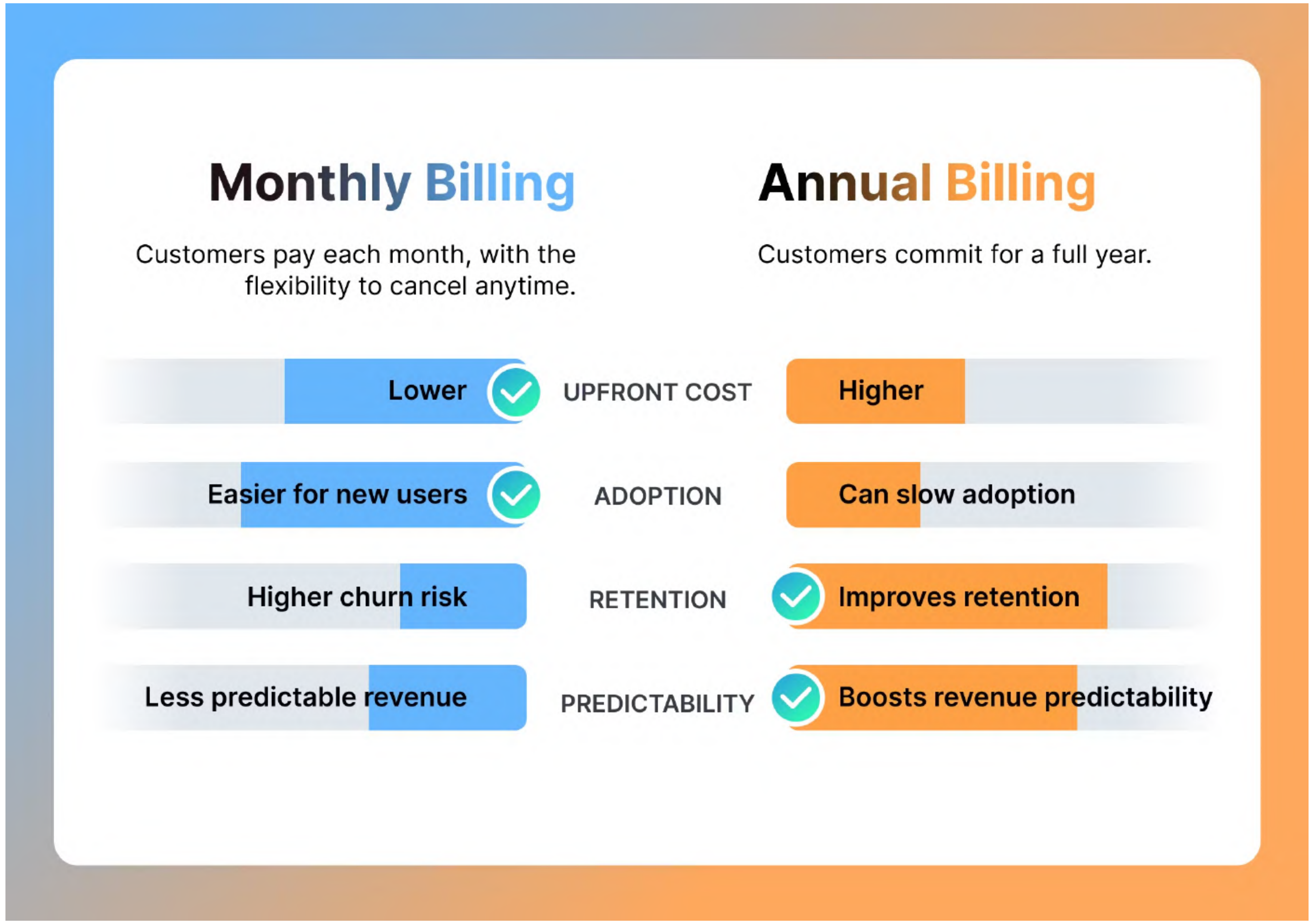
Being flexible on billing terms can be a powerful negotiation tool. Instead of lowering the price, offering alternative payment gives you another lever with which to barter. An annual contract doesn't have to mean a single upfront payment; flexible installments can make it more accessible for businesses who can't or don't want to front the cash. However, this approach carries risks: if a customer stops paying mid-term, there's little recourse to recover the remaining balance, creating potential revenue loss.

Sara Archer, VP of Sales, ChartMogul

How to choose a billing model?

Conventional wisdom states that monthly billing lowers the risk for buyers and removes the friction which slows adoption. Therefore it's no surprise that early-stage SaaS often start with prioritizing monthly billing to kick-start their customer base while they search for product-market fit and build credibility. Monthly billing can also offer a competitive advantage, where incumbents only offer annual plans.

In contrast, annual billing lowers the risk for vendors by providing predictable, consistent revenue. As companies scale, they diversify their billing model to balance removing friction around customer acquisition with revenue stability.



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Monthly plans bring faster growth

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SaaS growth comes from great products, positioning, and pricing, but billing is a key part of the system that makes it all work.

With strong billing that matches the product's ideal customer profile, companies can speed up their growth by making it easy for new customers to subscribe.

SaaS companies don't just split their ARR between monthly and annual plans—other billing cycles, like quarterly or daily, also exist but make up a smaller share. If a SaaS company has 25% of its ARR coming from monthly plans, the other 75% does not necessarily all come from annual plans.

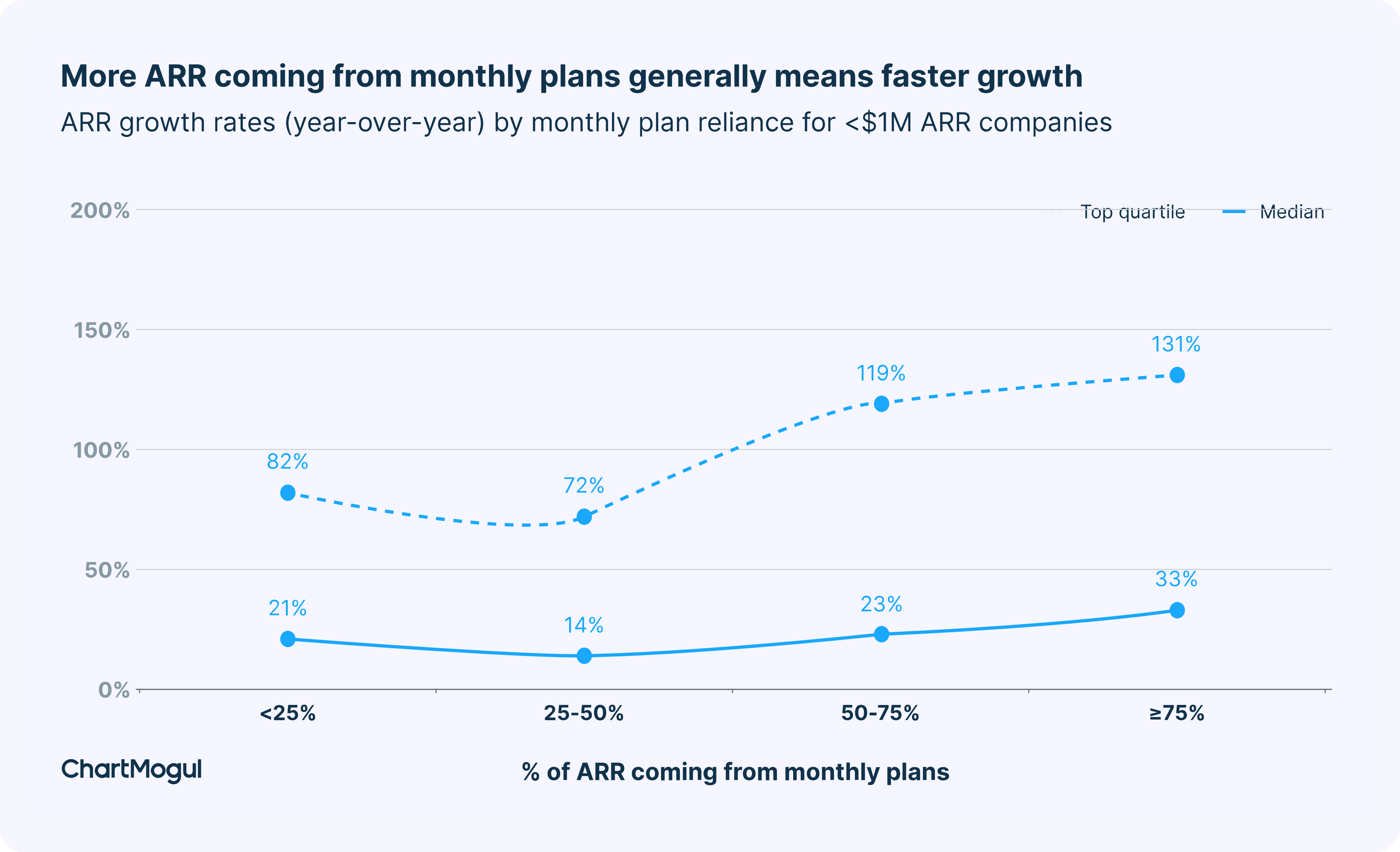
Therefore, in this report we have looked at the contribution of ARR coming from monthly and annual billing separately, to better understand how companies make money.

How does billing impact ARR growth?

The top quartile of companies under $1M ARR who generate over 75% of their recurring revenue from monthly plans, grow at 131% year-on-year.

For this top quartile, growth remains over 100% even as monthly plans contribute just 50% of their ARR. For both the median and top quartile, having less and less reliance on monthly plans slows revenue growth.

Monthly billing offers a speed advantage for early-stage companies who are establishing their brand in an unproven market by lowering friction in the buying process for new customers. It's a small risk to try out a new product so long as your subscription renews monthly and can be easily cancelled if the product doesn't deliver or solve the problem you thought it might.



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The real value of annual plans is in upfront collected cash, which dramatically improves CAC payback and the overall reduction in churn that you see across the board with annual plans that can both double and triple CLTV. Annual plans have the power to both give increased velocity by funding sales and also provide better long-term upside.

Ulrik Lehrskov-Schmidt, Senior Pricing Advisor & CEO, WillingnessToPay

Unlike monthly plan reliance, which tends to lead to stronger growth, generating most of your ARR from annual plans at the early stages of growth can be a liability.

The fastest growth recorded was amongst top quartile, early-stage companies with less than 25% of their revenue coming from annual plans. We saw that the median growth rate for <$1M ARR companies who rely on annual plans for 50-75% and ≥75% of their revenue, dipped to 15% and 18% accordingly.

Offering flexibility is beneficial, and at the early stage, keeping your billing simple and optimized for low friction purchases will lead to the fastest ARR growth.

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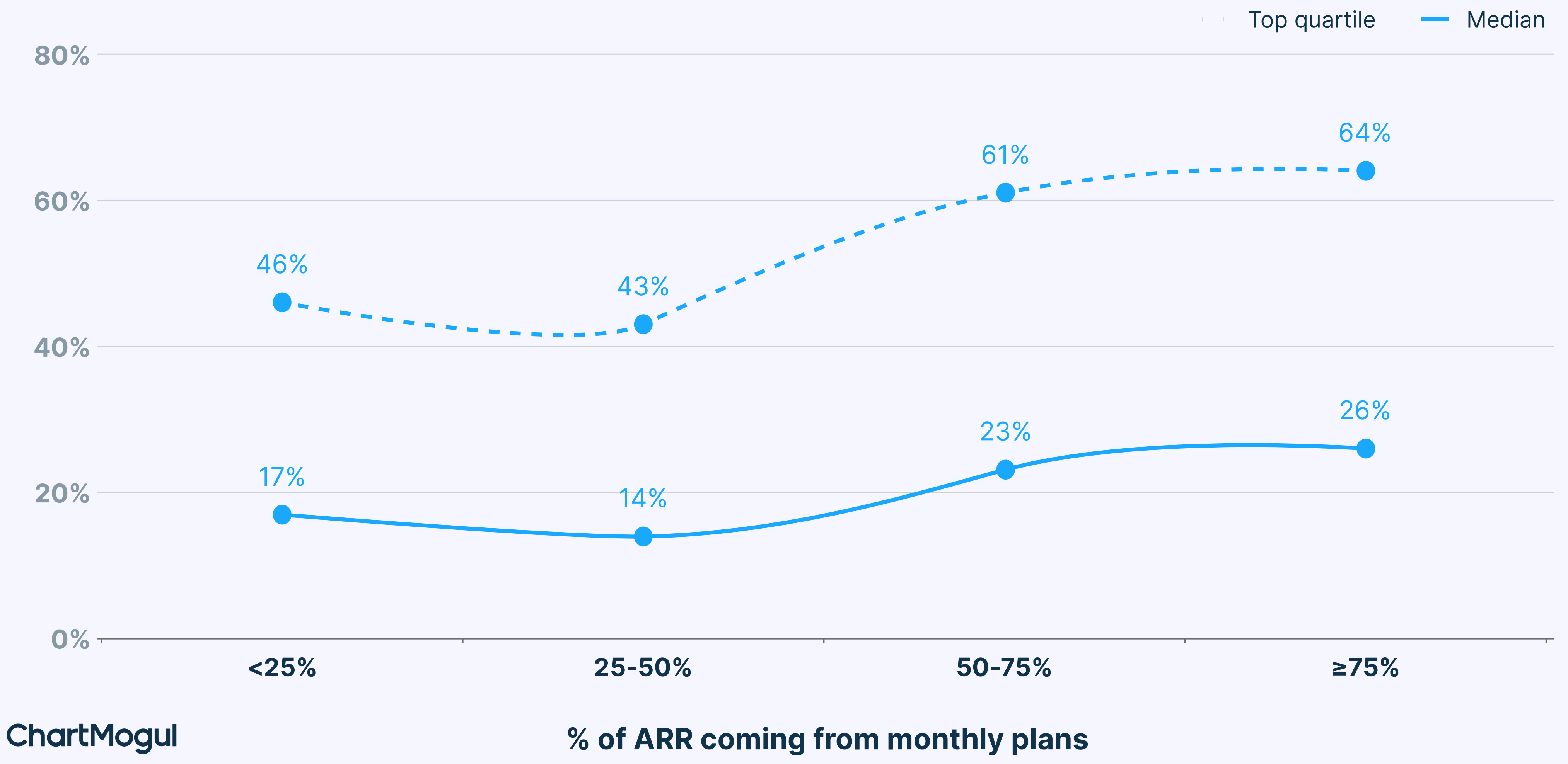
$1M-10M ARR companies can grow successfully by relying on monthly plans

ARR growth rates (year-over-year) by monthly plan reliance for $1-10M ARR companies



Growth-stage SaaS with $1M-10M ARR can grow successfully by relying on monthly plans.

Companies who generate ≥75% of their revenue from monthly plans are growing 9% faster than those who have <25% ARR coming from monthly plans. This is even more dramatic amongst the top quartile, where ≥75% reliance on monthly plans leads to 18% faster growth than relying <25%.

The trend observed among <$1M ARR companies who rely on monthly plans persists past $1M and at least all the way to $10M ARR.

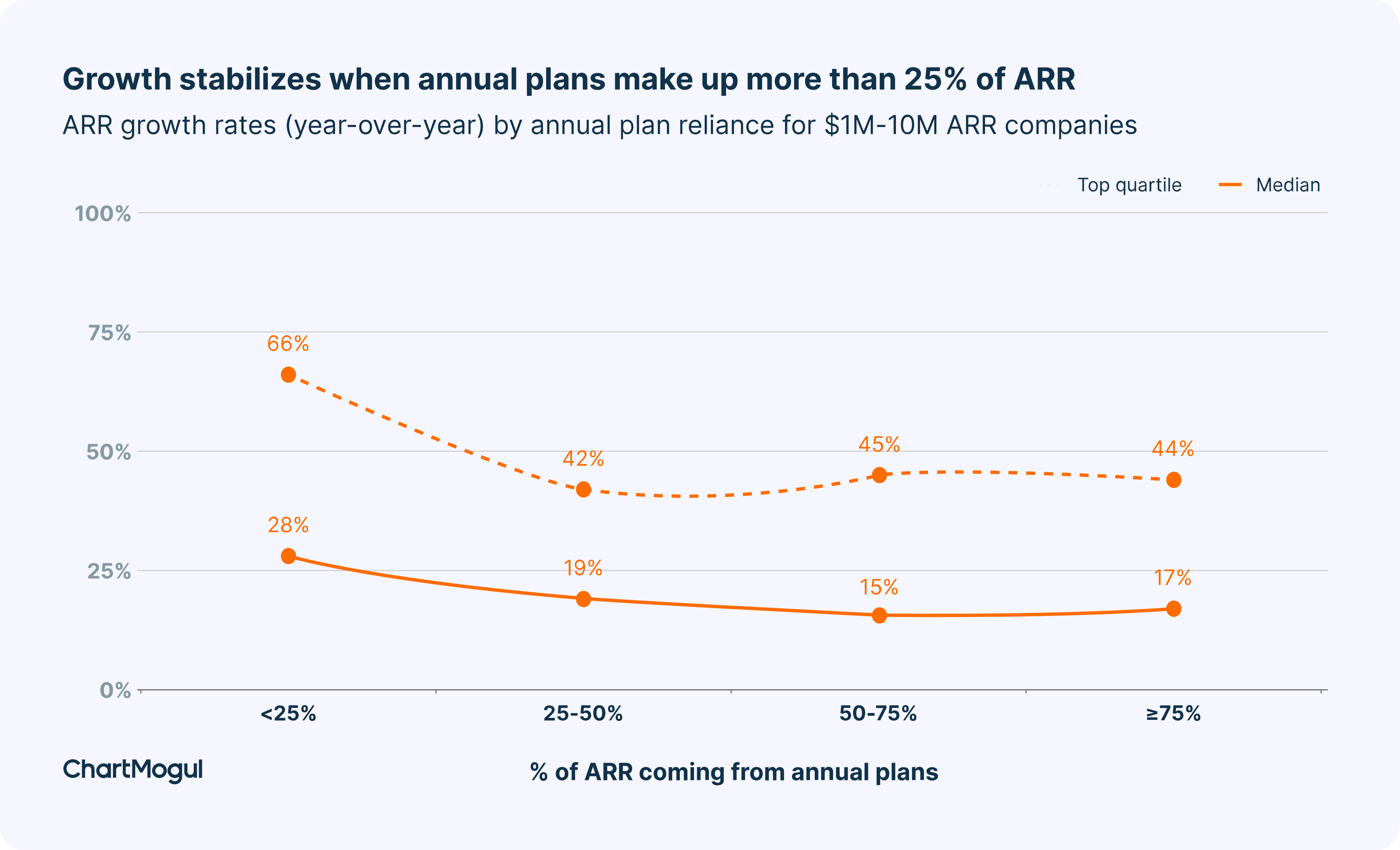
However, while monthly billing fuels growth, it also introduces churn risk.

When choosing your billing model you must consider your product, pricing, positioning and current economic market for your ICP. Monthly billing can work really well, but it can also exacerbate retention issues.

Growth stabilizes once annual plans make up more than 25% of your ARR.

The median $1M-10M ARR SaaS business with <25% of ARR coming from annual plans grows at a similar rate as those who get ≥75% of ARR from monthly plans. There is likely a significant crossover between those segments.

But not all revenue is equally valuable. Annual billing may not bring the fastest customer acquisition, but it is likely to lead to more sustainable retention and therefore resilient, long-term growth.



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Is there seasonality in SaaS?

Seasonality exists across all ARR ranges, no matter the billing model. Q1 is the strongest quarter across the board for customer acquisition, Q4 appears to be the slowest month.

There is no meaningful difference between billing models, as this trend is general to the SaaS industry. Many see a jump in new contracts in Q1 as buyers access fresh budgets or rush to spend expiring allotments when fiscal years end in December, January or February.

In contrast, Q4 is impacted by the end-of-year holiday slow-down and work crunch.

Q1 is the best moment to sell SaaS for both annual and monthly plans

ARR growth rates (quarter-over-quarter) for monthly and annual billing by ARR range

<$1M ARR	Annual	Monthly
Q1	10.7%	9.9%
Q2	9.5%	7.8%
Q3	8.5%	7.1%
Q4	8.3%	5.4%

$1M-10M ARR	Annual	Monthly
Q1	9.1%	7.9%
Q2	8.2%	6.6%
Q3	7.5%	5.9%
Q4	7.5%	4.5%

$10M-30M ARR	Annual	Monthly
Q1	7.2%	5.3%
Q2	6.2%	4.7%
Q3	6.0%	4.1%
Q4	6.2%	3.0%

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Annual plans drive strong retention

Retaining revenue hinges on offering a valuable product that effectively solves a real problem for your ICP—one they see as worth continuously investing in.

The SaaS business model relies on retention to fuel long-term, efficient growth. In our research, we found a correlation between ARPA and retention during 2024.

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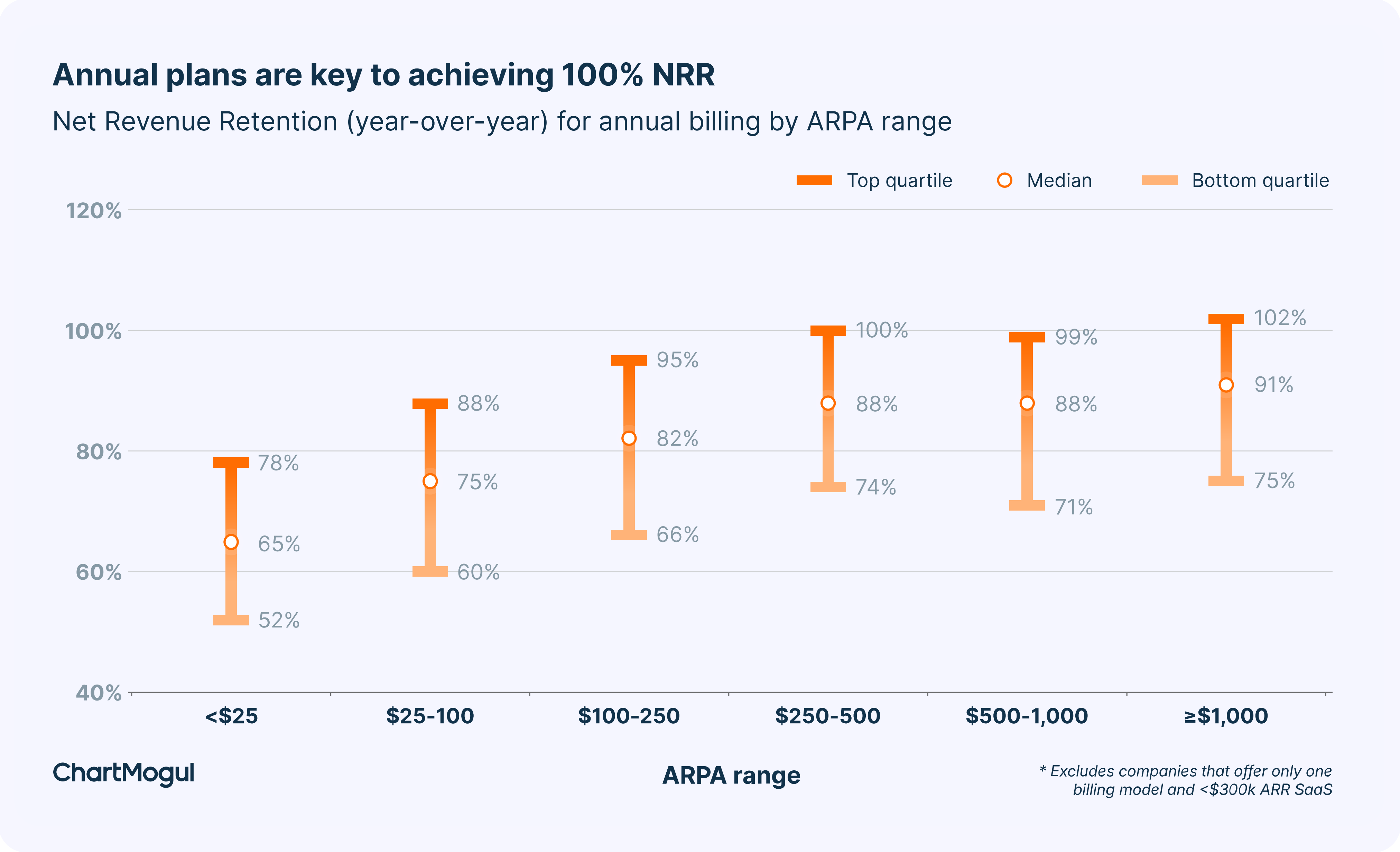
How does billing impact retention?

Annual plans are key to achieving 100% Net Revenue Retention (NRR). Recently, reaching the 100% NRR benchmark has become increasingly difficult for the entire SaaS industry.

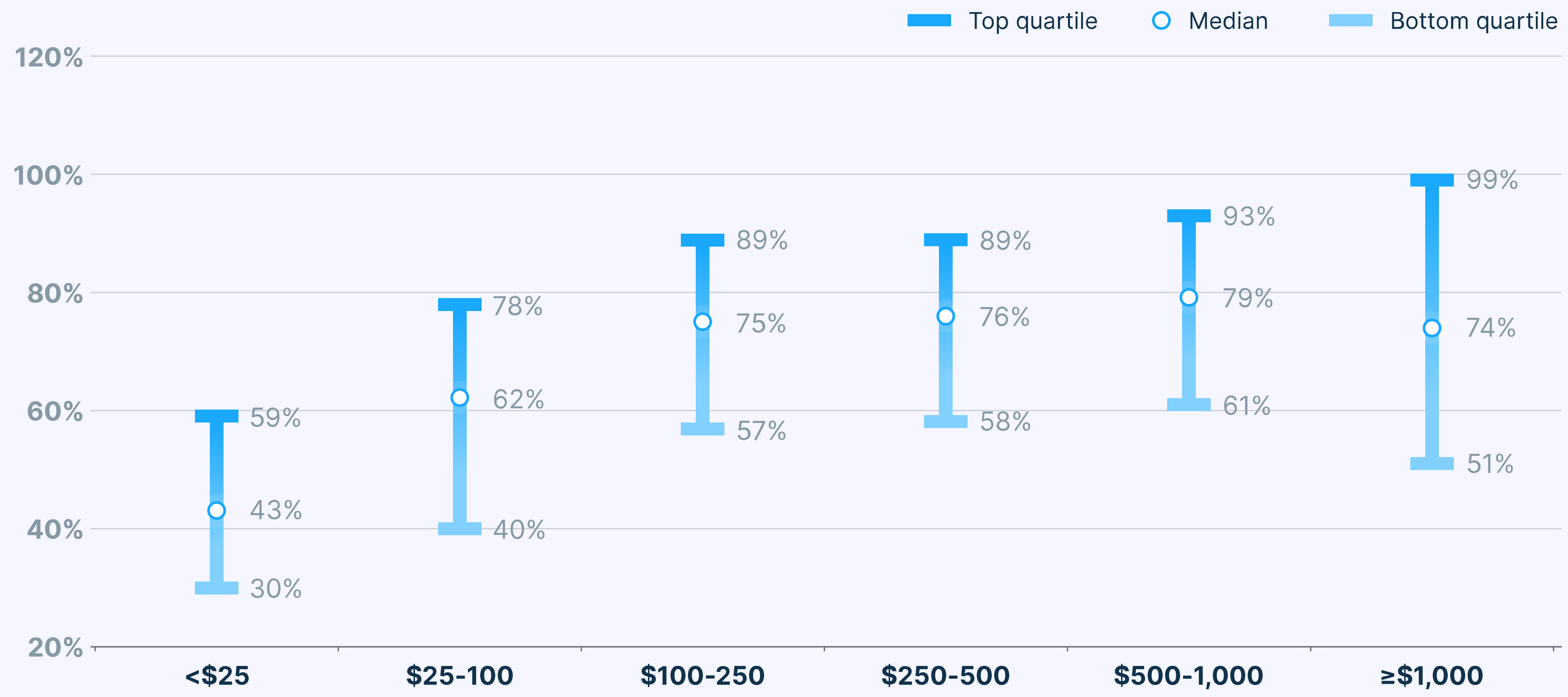
Based on our research, annual plans lead to stronger retention across the board.

Companies relying on annual plans with an ARPA over $250 have the best chances of reaching 100% NRR. At $250-500 ARPA, the median company hits 88% NRR for their annual plans, but only 76% for their monthly plans. This NRR gap exists across all ARPA ranges.



Reaching 100% NRR for monthly plans is challenging across all ARPA ranges

Net Revenue Retention (year-over-year) for monthly billing by ARPA range



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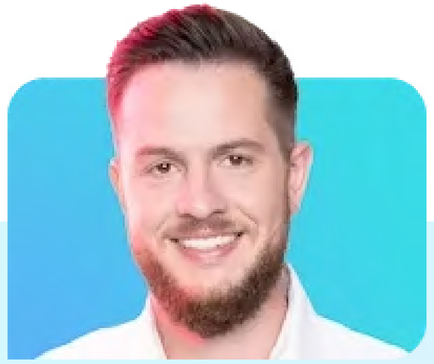
** Excludes companies that offer only one billing model and <$300k ARR SaaS*

Reaching 100% NRR for monthly plans is really difficult. This highlights the challenge of driving expansion revenue from customers with monthly billing. Without this built into your pricing model by design, it's very difficult to counteract churn with expansion when dealing with monthly plans.



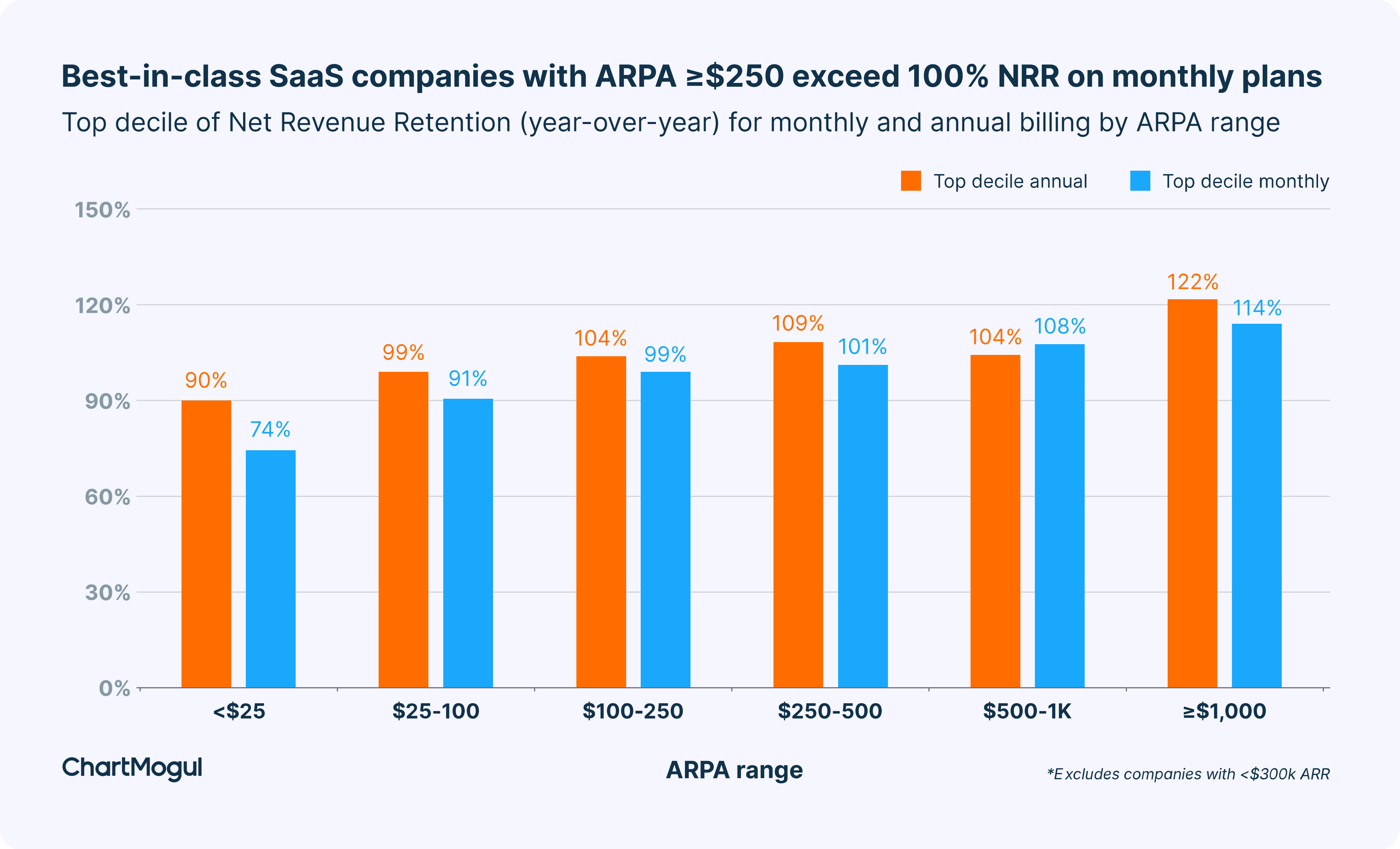
Any SaaS should implement annual pricing as soon as possible. Annual plans significantly reduce churn—customers make just one purchase decision, instead of 12 throughout the year. Plus, it's a crucial step in moving toward upmarket/enterprise-level sales, as the larger companies typically don't pay monthly invoices.

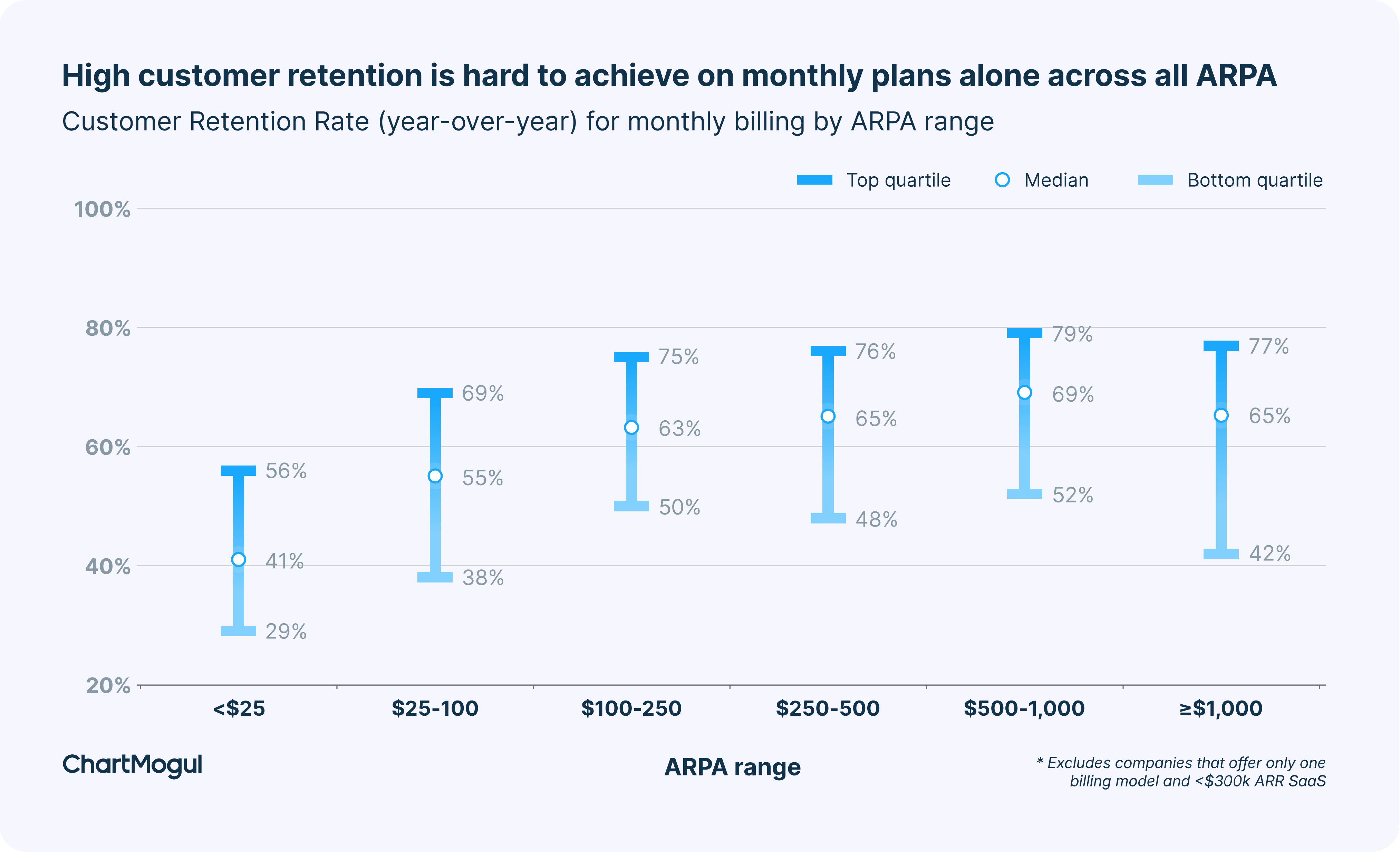
Maciej Wilczyński, CEO, Valueships

Like NRR, customer retention also differs dramatically between monthly and annual billing.

SaaS companies with a low ARPA see a major difference in customer retention between annual and monthly plans. For companies with <$25 ARPA, the median customer retention rate is 62% for annual plans, but drops to 41% for monthly plans, a 21 percentage point gap.

Lower ARPA products tend to have higher churn rates because customers have lower commitment and can easily switch to competitors, and/or use the product for a short-term or experimental need rather than long-term investment.





As ARPA increases, the difference in customer retention rate shrinks—companies with >$100 ARPA see a gap of around 10 percentage points between monthly and annual plan customer retention.

This gap is still significant, but less pronounced than what we see with monthly plans.

It's clear that billing strategy directly impacts retention and revenue stability. For low-ARPA SaaS companies, high churn on monthly plans means they constantly need to acquire new customers just to maintain revenue.

This highlights the importance of annual commitments at low ARPA, as they reduce churn and stabilize revenue, balancing growth and retention.

The power of annual upgrades

SaaS companies often opt to start customers with monthly billing to accelerate acquisition and new business growth, while betting that users will recognize the product's value and naturally transition to higher-retention annual plans over time.

This approach leverages the low barrier to entry of monthly subscriptions while fostering long-term commitment as customers integrate the product into the day-to-day work.

We analyzed the percentage of SaaS companies in 2024 where new customers initially subscribed to a monthly plan and later upgraded to an annual plan.

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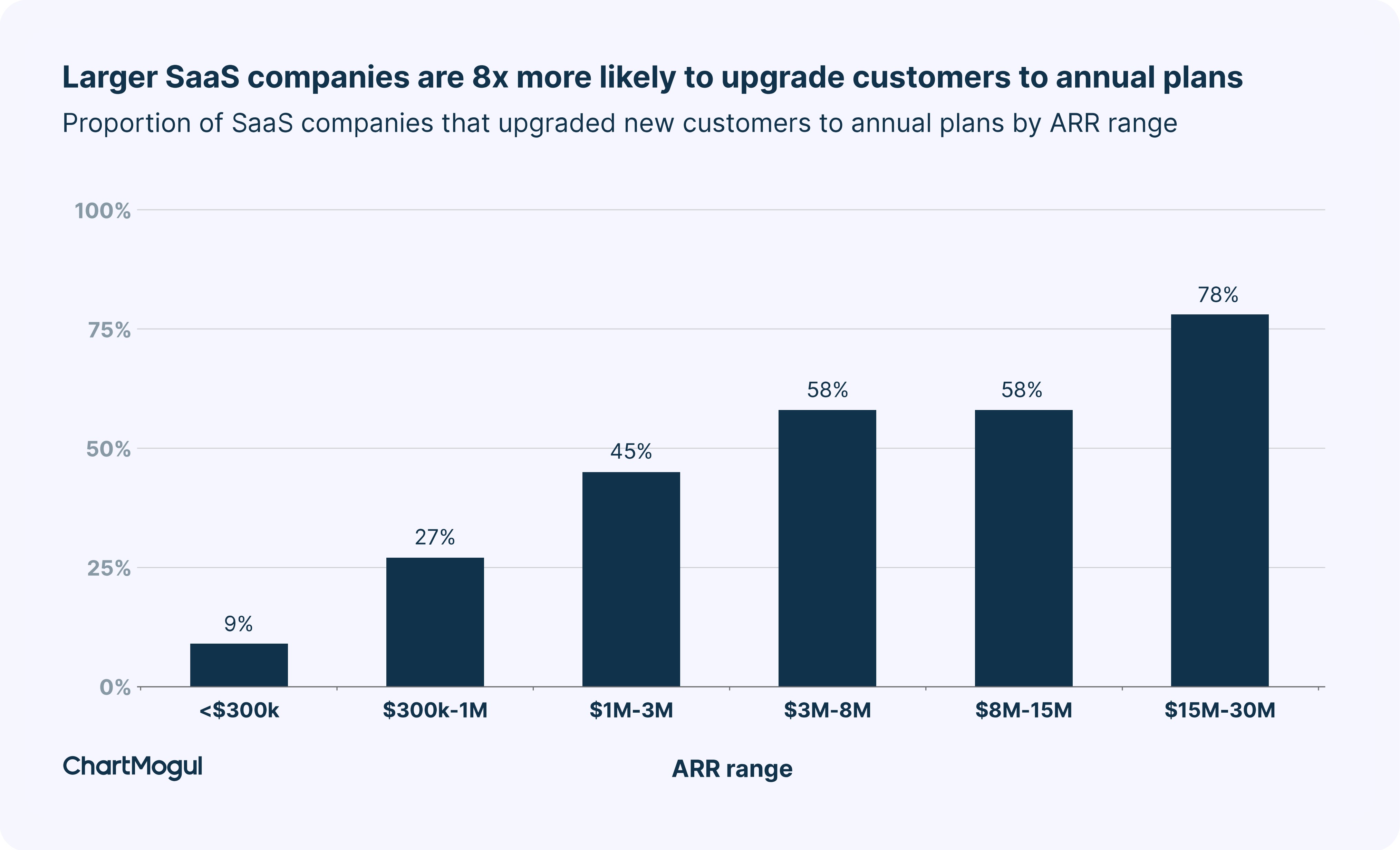
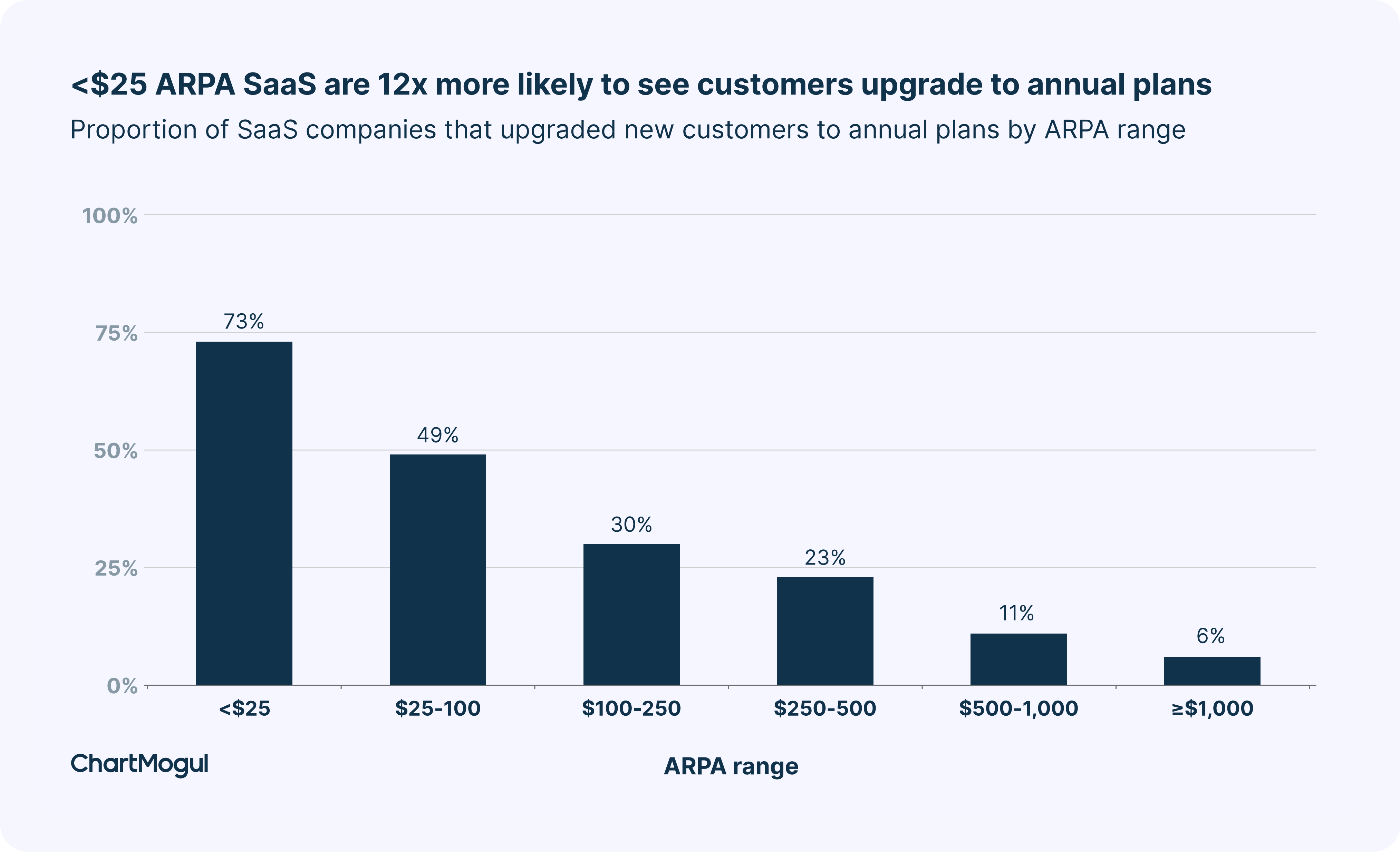
How common are annual upgrades?

Larger companies are over eight times more likely to see customers upgrade to annual plans compared to early-stage SaaS businesses. 78% of $15M-30M ARR companies saw upgrades from monthly to annual plans compared to just 9% of <$300k ARR companies. The likelihood of customers converting from monthly to annual plans grows significantly as your ARR grows.

This is likely connected to maturity. Larger, more established companies have more experience and are able to leverage their data and tooling to identify which customers are ripe for annual upgrades, experiment with the right incentives, and automate the upgrade process. At the same time, their customers may also have greater confidence in a well-established vendor, making them more willing to commit to annual upgrades.





<$25 ARPA SaaS are 12 times more likely to see customers upgrade to annual billing.

High-priced SaaS products tend to focus on annual billing, with 55% of ≥$1K ARPA companies coming from annual plans.

Upgrades are much more common amongst low-ARPA companies who offer billing flexibility, with incentives to upgrade.

These companies effectively balanced the need for growth speed with retention.

When customers are locked into annual or multi-year contracts, getting them to switch can feel like an uphill battle. One effective but rarely spoken about strategy is buying out their remaining contract—offering to cover the unused portion of their current plan with a competitor. This works surprisingly well because it removes a major switching barrier for the customer, making the decision easier. It feels like a win for them, while the cost to you is relatively small—after all, you wouldn't have had this customer until their contract ended anyway.

Enzo Avigo, CEO, June

When's the ideal time to upgrade?

Customers are the most likely to upgrade from monthly to annual billing by month 2 to 4. Billing upgrades peak in month two, and higher conversion rates continue into months four and five.

New customers who signed up in January 2024 were over three times more likely to upgrade in their second month than in their ninth, highlighting just how critical those early months are for securing long-term commitments. This can also signal an increase in churn risk for early adopters of new SaaS tools, who after nearly a year of use, don't want to commit to an annual plan.

Many customers treat the first month of a monthly plan as a trial period. This gives the SaaS vendor 30 days to drive adoption and prove the value of the product, before nudging the customer to upgrade to an annual deal.

Customers are more likely to upgrade to annual plans by month 2-4 after signing

% of new customers upgrading to annual plans relative to starting month for all SaaS companies

Month	2	3	4	5	6	7	8	9	10	11	12
Jan 2024	0.93%	0.68%	0.59%	0.45%	0.35%	0.45%	0.38%	0.27%	0.36%	0.34%	0.41%
Feb 2024	1.13%	0.61%	0.54%	0.43%	0.43%	0.38%	0.45%	0.31%	0.44%	0.45%	
Mar 2024	1.07%	0.72%	0.58%	0.49%	0.42%	0.40%	0.40%	0.47%	0.42%		
Apr 2024	0.93%	0.60%	0.61%	0.43%	0.44%	0.41%	0.51%	0.40%			
May 2024	1.03%	0.66%	0.56%	0.49%	0.42%	0.45%	0.39%				
Jun 2024	1.03%	0.75%	0.52%	0.52%	0.58%	0.44%					
Jul 2024	1.05%	0.62%	0.52%	0.66%	0.48%						
Aug 2024	0.96%	0.69%	0.79%	0.43%							
Sep 2024	0.94%	0.73%	0.59%								
Oct 2024	0.96%	0.78%									
Nov 2024	1.07%										

Upgrade potential remains high for the first 4 months of a customer’s initial monthly subscription, so once your first 30-day activation period is optimized, consider looking at possible triggers for upgrades to annual plans in the 3-4 month window.

Why are annual upgrades easier at the start of the customer’s subscription?

- Initial validation: in the first few months, customers are still evaluating whether the product delivers value. Once they see it fits their needs, they commit for the long term.
- Discount incentives: annual plans usually come with a discount (e.g., "Save 20% when you pay annually"), making it an attractive option for products you plan to use long-term.
- Budgeting and procurement cycles: some businesses start on monthly plans due to internal approval processes. Once stakeholders are convinced, they switch to annual to simplify expenses.
- Locking in the tool: Companies often upgrade once they’ve integrated the product into their workflows, reducing switching costs and ensuring team adoption.

The use of discounting in SaaS

No SaaS company approaches discounting the same way. On the surface, billing seems straightforward, but under the hood, it is an incredibly complex topic.

Discounts can be a powerful tool for driving customer acquisition, but they also come with trade-offs. When used strategically, discounts can reduce friction for new customers, but they bear the risk of devaluing the product.

A complication in our research is that not all SaaS companies disclose their discounts in a clear pattern. Some create custom plans per customer with a discount already included in the price. In this report, we only considered discounts which were disclosed against a base plan.

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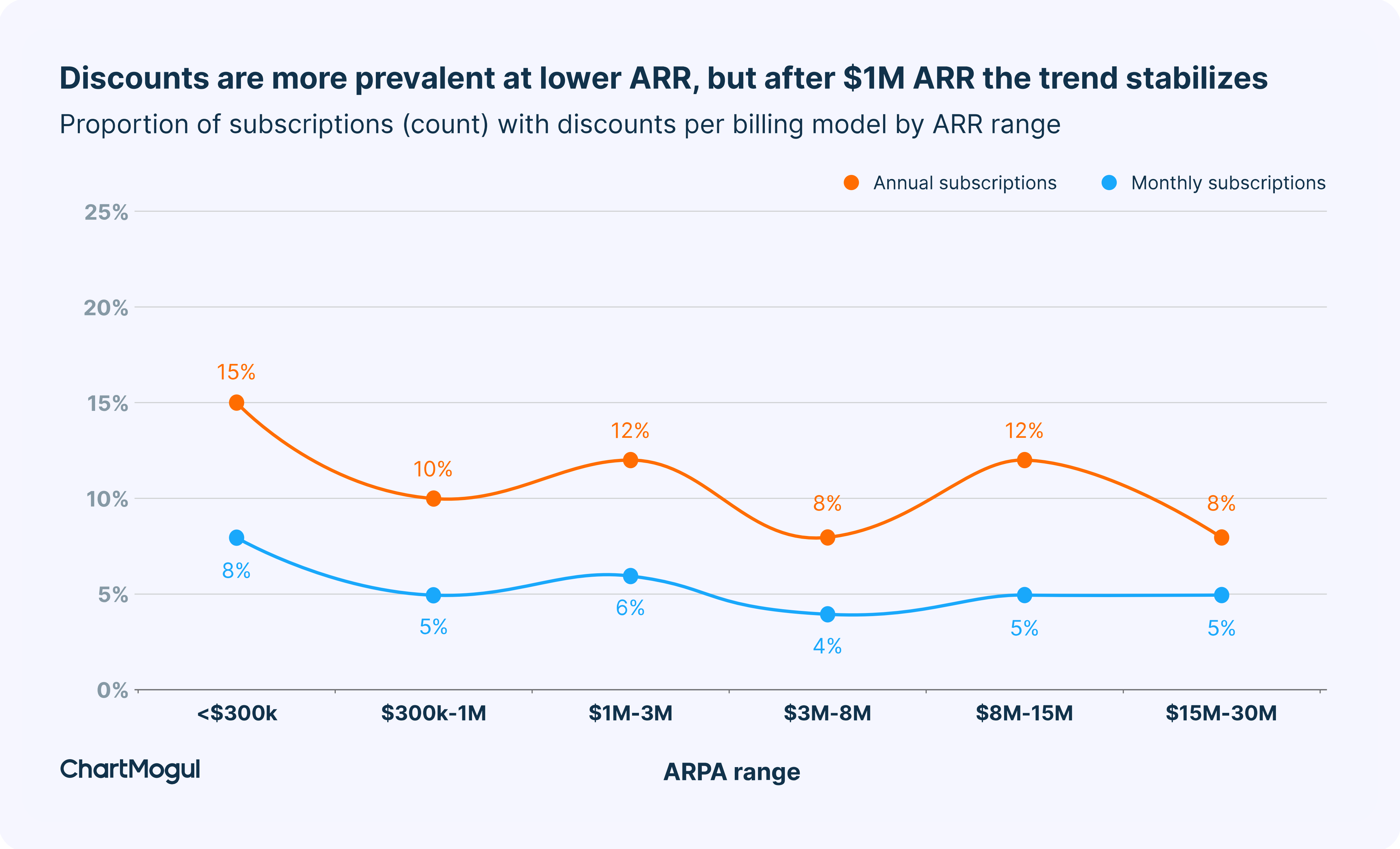
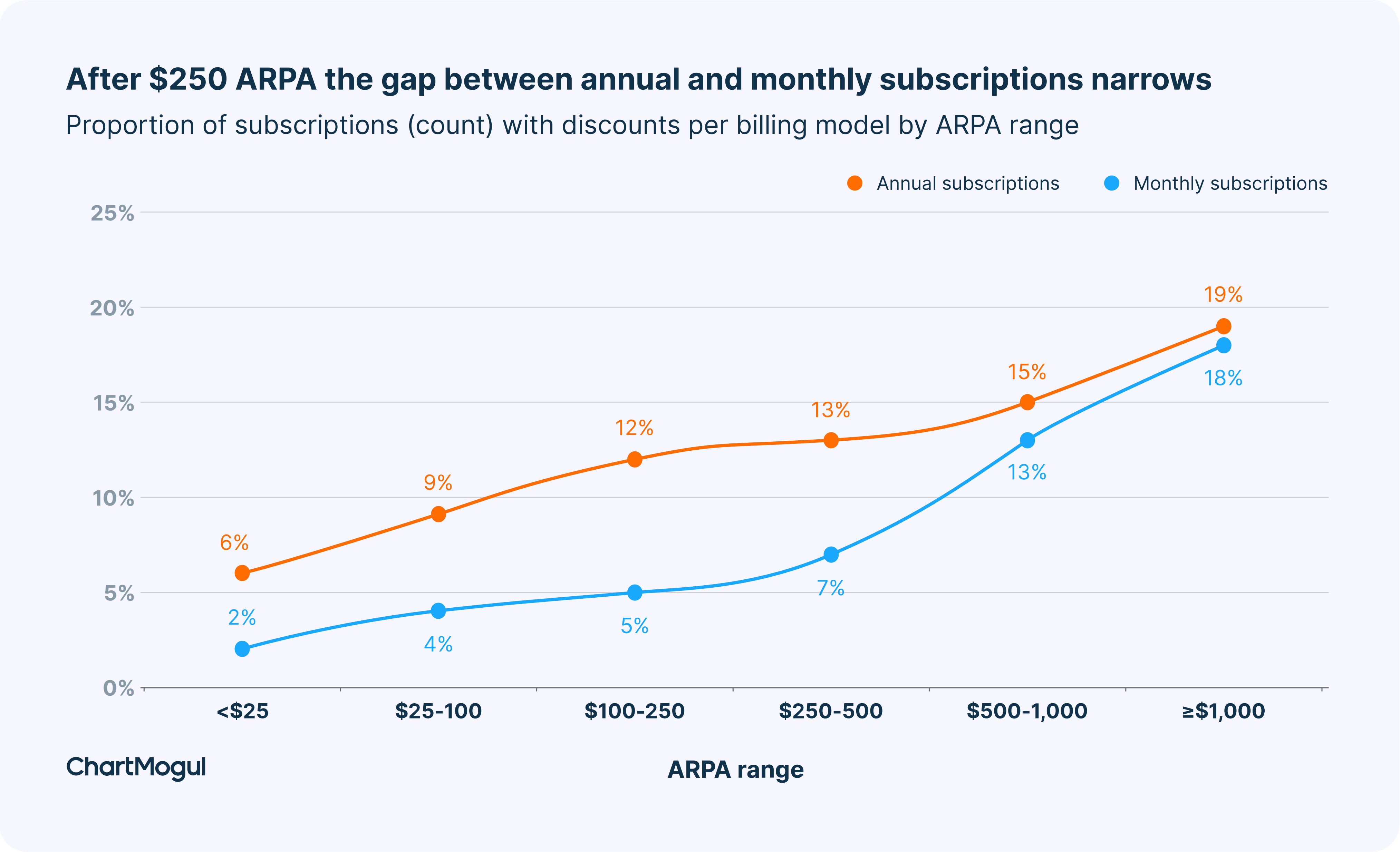
How common are discounts?

Very common: the majority of SaaS companies offer discounts. At the early stage, discounts lack structure, but as companies mature, stronger sales teams and structured pricing strategies use discounting as a tool to close larger deals, especially when there is competition.

The purpose of discounting seems to change as companies grow.

As companies scale past $300K ARR, discounting shifts from an acquisition tactic to a more structured tool, applied more consistently across deals and renewals.





As ARPA increases, companies use discounts more flexibly across both billing models.

Below $250 ARPA, annual plans receive more discounts to drive long-term commitments.

But after $500 ARPA, the gap between discounted annual and monthly subscriptions narrows, likely due to stronger deal negotiations and custom pricing at higher contract values.

This shift reflects how discounting evolves with pricing, moving away from a retention incentive for annual commitments to a broader sales tool used across both billing models.

Many SaaS companies push annual billing with heavy discounts to boost cash flow, creating an illusion of growth while ignoring long-term retention and expansion. But over-discounting erodes value and limits upgrades, making growth fragile. Instead of treating annual billing as a retention shortcut make sure customers stay because of ongoing value, not pricing inertia. Annual plans should reward loyalty—not force it.

Maciej Kraus Ph.D, Partner at Movens Capital, pricing guest lecturer at Stanford

Methodology and Glossary

To create this report, we analyzed anonymized and aggregated data from ChartMogul.

- All benchmarks are based on data from the full year of 2024.
- All segmentations by ARPA exclude companies less than $300K in ARR. These companies tend to have very high growth rates and low retention so they can skew the results.
- When benchmarking annual and monthly data, we excluded companies that rely 100% on a single billing model. While these companies represent a small minority, our focus is on those using a mix of billing models, as that is the industry norm.
- The proportions shown in the % ARR coming from annual vs. monthly billing graphs are the median values.
- ARR growth rates in the Seasonality section are the median growth rates.
- Retention metrics (NRR and CRR) were calculated based on the ARR from annual and monthly plans.
- For annual upgrades, we analyzed all new customers who joined in 2024 and upgraded within the same year.
- In our cohort analysis, trends are not influenced by company size. While the proportions may decrease as companies grow (due to a larger customer base), the overall trend remains consistent across all ARR levels.
- In the discounts section, results reflect median proportions.

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

Annual Run Rate (ARR) =
MRR x 12

Net Revenue Retention (NRR) =
(Starting MRR + Expansion MRR – Contraction MRR – Churn MRR) ÷ Starting MRR

Customer Retention Rate (CRR) =
((Starting Customers – Net Churned Customers) / Starting Customers) × 100

ChartMogul