

The Ultimate Customer Success Cheat Sheet

Customer Retention & Churn

Customer churn rate

$$\text{Customer churn rate} = \frac{\text{Number of customers who churned in period (excluding any customers who both joined \& churned in the period)}}{\text{Total number of customers at start of period}}$$

Retention (renewal) rate

$$\text{Customer renewal rate} = \frac{\text{\# of customers who renewed their contract}}{\text{Total number of contracts up for renewal}}$$

Net revenue retention

What is the net dollar impact from Customer Success to growth? Best-in-class companies are greater than 100% here and ideally greater than 110%.

$$\text{Net revenue retention} = \frac{(\text{MRR at start of period} + \text{Expansion MRR} - \text{Contraction \& churn MRR})}{\text{MRR at start of period}}$$

Cohort analysis

Cohort analyses are a powerful tool to help you understand how your subscriptions evolve over time, and identify any potential issues with churn at specific points during the customer lifetime.

% of churned customers in lifetime month (relative to previous month)

	0	1	2	3	4	5	6
Jun 2014	2.50%	0.80%	5.00%	2.12%	1.35%	0.40%	1.04%
Jul 2014	0.00%	1.50%	4.09%	3.65%	1.04%	1.43%	
Aug 2014	1.22%	4.69%	5.60%	4.23%	2.15%		
Sep 2014	2.40%	5.66%	5.40%	3.54%			
Oct 2014	3.50%	2.67%	7.23%				
Nov 2014	1.65%	2.56%					
Dec 2014	1.34%						
	2.50%	2.98%	5.46%	3.39%	1.51%	0.92%	1.04%

In this example months 1-3 have higher churn before easing to around 1%

Get The Ultimate Churn Rate Cheat Sheet at blog.chartmogul.com

References

We couldn't have produced this guide without the leading work of the following people:

- Gainsight - <http://www.gainsight.com/your-success/customer-success-metrics>
- Alex Turnbull, GrooveHQ - <https://www.groovehq.com/blog/saas-customer-success-metrics>
- Totango - <http://customer-success-resources.totango.com/>
- Lincoln Murphy - <http://sixteenventures.com/customer-success-definition>



5 Red Flags for Churn

If you can measure these events for your customers, you should use them as a strong indication that churn may be imminent.

1. Gaming the system

If the customer is working around the limitations of their plan or tier using unconventional "hacks", it's a strong sign that they're unwilling to pay for the upgrade they probably require.

2. Downloading / exporting data

This is the SaaS equivalent of your customer packing their bags and booking a taxi. They fully intend to cancel their subscription very soon.

* Note: not to be confused with regular export activities which are likely part of normal usage.

3. Credit card expiry

Credit card expiry is one of the most common causes of churn in SaaS. Fortunately you should be able to see this event coming, and take action to reduce churn risk by updating expiring cards before it's too late.

4. Visiting the 'Cancel' page

This is simple to track, and fairly clear at exposing the users' intention.

5. Change of account owner

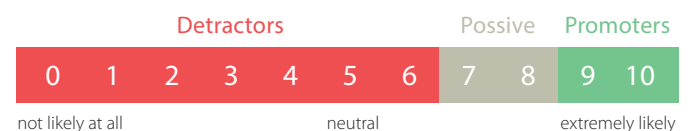
If the person using your product within your customer's company leaves, they take with them much of the loyalty and positive impact your product has had - and perhaps their replacement doesn't see a need for your solution at all. You'll have to work hard to rebuild a relationship in this scenario.

Customer Satisfaction

Net Promoter Score (NPS)

NPS has been proven as a leading indicator of growth, and is used widely as a benchmark against which businesses compare themselves. An NPS survey asks all customers a single question:

"How likely is it that you would recommend [product] to a friend or colleague?"



$$\text{NPS} = \frac{\text{\% of promoters (scoring 9 or 10)}}{\text{\% of detractors (scoring 0 to 6)}}$$

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The Ultimate Customer Success Cheat Sheet

Customer success is an organizational approach to ensuring that customers achieve their goals and receive maximum value from a product, through technology, data and communicative practices.

Customer Engagement

- User sessions per day / per week**
How much time are users spending with your product? Segmentation by cohort is extremely useful here - what's the drop-off over time?
- Average session length**
How long does a user spend to achieve their daily / weekly goals in your product?
- Feature usage**
Is the customer using all of the features they've paid for? Are they getting the most out of the product? Do they even understand how to use all of the features?
- Support ticket volume**
Customers who raise a large volume of support tickets are not necessarily unhappy - they may just be vocal customers. Nevertheless, looking at this metric on a user segment level could give you a good insight into where pain points exist in your product.
- Marketing engagement**
How much is a customer engaging with your marketing output? Do they open emails, click-through from emails, follow you on social media, visit your blog?
- Trial-to-paid conversion rate**
Similarly to Free-to-paid conversion rate, this is a measure of how successful you are at converting free trial customers to paid accounts, before the trial period expires.

$$\text{30-day trial-to-paid conversion rate for month X} = \frac{\text{Active paid accounts that have their 30th day in month X}}{\text{All accounts that have their 30th day in month X (inc. expired, cancelled etc.)}}$$

Tip! Using this formula, you can compare different trial-to-paid conversion rates for different periods (30-day, 60-day, etc.).

- Free-to-paid conversion rate**
(Freemium models only) If a customer upgrades to a paid account, that's an obvious indicator that they've gotten enough value out of the product that they feel it's worth paying for.

$$\text{30-day free-to-paid conversion rate for month X} = \frac{\text{Active paid accounts that have their 30th day in month X}}{\text{All free accounts that have their 30th day in month X, which are free or were free at some point}}$$

Customer Success Impact

Onboarding: Measured with Trial-to-paid Conversion Rate

Retention: Measured with Renewal Rate

Account expansion: Measured with MRR Expansion

Customer happiness: Measured with Net Promoter Score

Customer Success Performance

- Renewal rate**
What proportion of your customers are renewing when they have the chance?
$$\text{Renewal rate} = \frac{\text{\# of customers renewed in period}}{\text{\# of customers eligible for renewal in period}}$$

- Headwind**
This represents any drag holding back growth, caused by churn and downgrade MRR. Gainsight suggests that headwind values more than 20-30% per year will severely impact growth.

$$\text{Headwind} = \frac{\text{Churned and downgraded MRR in period}}{\text{MRR at beginning of period}}$$

- Tailwind**
Tailwind shows the momentum gained from upgrade and price increase MRR. According to Gainsight, top SaaS businesses can achieve around 10% dollar-based up-sell per year.

$$\text{Tailwind} = \frac{\text{MRR of upgrades and price increases}}{\text{MRR at beginning of period}}$$

*Source: gainsight.com/your-success/customer-success-metrics

User Onboarding

Time to value (TtV)

The time it takes for the customer to start seeing tangible business value from your product.

24-hour onboard

Critical measurement of how many users get past a particular point in the on boarding flow. These users are much more likely to stay engaged with the product.