



2019 State of Customer Retention Survey

How B2C, B2B and hybrid companies manage churn





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INTRODUCTION

Subscription businesses are facing immense pressure to grow. They're employing strategies to acquire customers faster than ever before. But what's the plan to keep customers paying? Until recently, retention has taken a backseat to acquiring new subscribers. That's changed.

Now customers can cancel and find a new solution in a few clicks. So, how do B2C, B2B and hybrid subscription companies approach retention in an increasingly competitive landscape? We asked 300+ CEOs, founders and executives across 28 industries about the challenges they face to retain their hard won customers.

These leaders are united in their prioritization of retention with 97% of all respondents indicating it's a top priority. But initiatives, challenges and tools differ across B2C, B2B and hybrid companies. Here's what we learned.

Respondent profile

TOP INDUSTRIES

Technology, Retail, Finance

COMPANY SIZE

500+ employees

COMPANY REVENUE

1/4 respondents belonging to companies generation more than \$250M

Respondent type

B2C COMPANIES

Customer base is primarily individuals

B2B COMPANIES

Customer base is primarily businesses

HYBRID COMPANIES

Customer base is both individuals and businesses





B2C companies know they must do better at retention

Great subscription businesses are those that win more customers and keep them paying for longer. B2B companies are most confident in the way they prioritize retention with only 30% of respondents believing they could be doing more. Respondents at hybrid companies are split: barely over half think priority is appropriate while nearly 40% believe there's room for improvement.

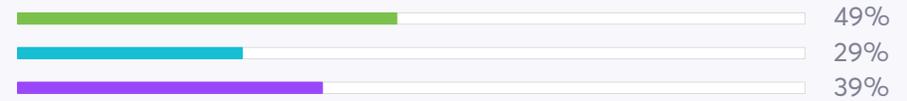
Only **44 percent** of B2C respondents feel retention is prioritized appropriately within their company compared to **68 percent** of their B2B counterparts.

How do you feel your company prioritizes customer retention?

Appropriately



We could do better



We over-prioritize retention at the expense of other initiatives



— B2C — B2B — Hybrid





B2B companies prioritize customer education, while B2C companies focus on support

Our research shows B2B and B2C respondents differ greatly in their beliefs of what's most important in retaining customers. This disparity illustrates how B2B and B2C companies view customer retention.

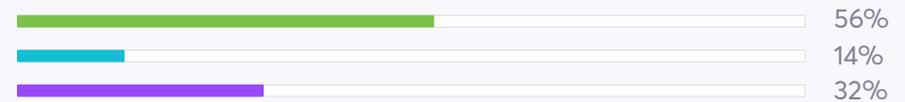
Because each B2B buyer represents a much greater revenue opportunity with the customer relationship lasting months or even years, there's more value in B2B companies providing education, personalization and flexibility to keep customers satisfied.

For B2C and hybrid companies, the market is far broader, and so these organizations focus on providing customer support en masse and retaining customers through upselling.

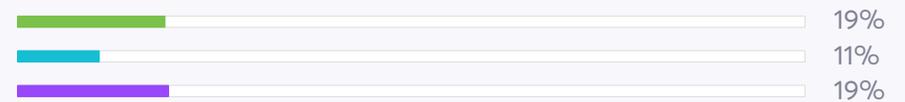
Our research shows B2B and B2C respondents differ greatly in their beliefs of **what's most important** in retaining customers.

Which of the following customer retention objectives is the highest priority for your company this year?

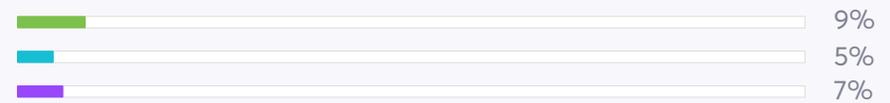
Improving customer satisfaction through better customer experience and support



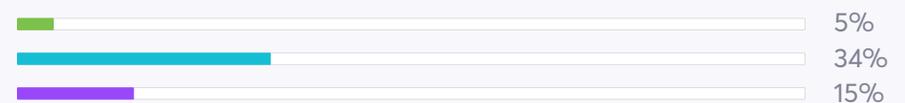
Better upselling and cross-selling across the base



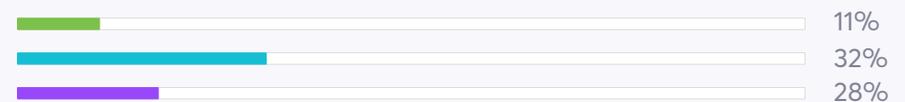
Saving customers from canceling



Educating customers to facilitate usage and mastery of our services



Onboarding new customers effectively



■ B2C ■ B2B ■ Hybrid



Today, most companies turn to discounts and deals to retain customers

When it comes to engaging customers with personalized offers, B2C and B2B respondents choose different moments in the customer journey. B2C companies are twice as likely to offer bundles or special deals preemptively to at-risk customers than B2B (58 percent vs. 26 percent), while B2B companies are more than twice as likely to test a range of discount offers at the point of cancel than B2C (51 percent vs. 20 percent).

B2B and B2C companies have the opportunity to further implement each other's top tactics. B2C customers may like the opportunity to pause their subscription while B2B customers could be given the opportunity to inform organizations why they're leaving.

Engaging at-risk customers with discounted pricing is considered a **top three** most effective retention tactic by all respondents.

Which of the following tactics have you tested in order to reduce customer churn? Select the three most effective.

	B2C	B2B	Hybrid
Offering bundles or special deals to at-risk customers	58%	26%	37%
Systematically surveying the Net Promoter Score (NPS) of customers who cancel	22%	11%	11%
Preemptively engaging at-risk customers with discounted pricing	41%	35%	44%
Implementing a customer cancellation survey to identify common reasons for leaving	27%	17%	29%
Offering easy ways to downgrade to a free plan at the point of cancel	19%	23%	32%
Offering a free private consultation or training	11%	20%	27%
Offering the ability for customers to pause or suspend their subscription	24%	39%	38%
Offering new compelling educational content to solve common service issues	14%	12%	23%
Proactively emailing or calling at-risk customers	19%	25%	22%
Automated email or dunning processes to update expired/bad credit card details	9%	20%	15%
Testing a range of discount offers to customers at the point of cancel	20%	51%	45%
We haven't tested any churn reduction tactics	5%	2%	3%



The future of retention is knowing when to engage and why

Retention is fueled by ongoing engagement and personalization over time. In spite of growing interest in predictive models for cancellation and expansion, many companies are currently ill-equipped to measure what their customers need and deliver the best experience.

B2B and hybrid companies indicate they're looking to monitor and classify subscriber churn. These companies are keen to understand why customers cancel in order to incorporate insights into their onboarding and educational materials.

B2C respondents remain consistent in their view that improved customer support will deliver the biggest impact on retention at scale, but their teams must be equipped with the right data in order to provide customers what they need. In a turn away from current practices, respondents from all companies indicate that pricing changes would have the lowest impact.

33 percent of all respondents believe proactively engaging at-risk customers with personalized offers would have the greatest impact on retention.

Excluding product improvements, which of the following initiatives do you feel would have the greatest impact on customer retention at your company this year?

	B2C	B2B	Hybrid
Faster response times and better-trained customer support	34%	6%	15%
Developing predictive models to forecast customer propensity to churn or expand	27%	12%	17%
Refining our Ideal Customer Profile (ICP) and customer journey	13%	8%	5%
Segmenting customers based on estimated lifetime value and/or account health	5%	7%	7%
Pricing changes	3%	0%	3%
Regular monitoring and classifying of subscriber churn	5%	32%	21%
Automating workflow around the customer cancellation process	0%	11%	9%
Proactively engaging at-risk customers with personalized offers	14%	22%	22%



Subscription businesses churn an average of 2.0%-3.9% of revenue each month

B2B companies have the highest overall monthly recurring revenue (MRR) churn with 59% of respondents indicating a rate of over 3.0%. B2C companies have the lowest overall churn rates with 57% of respondents indicating their churn rate is 2.9% or lower. This data goes against the widely accepted belief that B2C companies have higher churn than B2B or hybrid companies.

So, why do more B2C companies believe they have room to improve their retention efforts while having lower MRR churn rates than their B2B and hybrid counterparts? First, let's look at the calculation itself. MRR churn is the percentage of revenue lost due to cancellation or downgrades, but not all customers are worth the same as the next. For example, assume a company loses 10 customers this month and 5 customers next month. This month they churn \$50 (10 customers at \$5/month) and next month churn is \$500 (5 customers at \$100/month customers).

Overall, **54 percent** of respondents have between 2.0 percent-3.9 percent of revenue churn each month.

All subscription businesses should ensure they are looking beyond the number of cancellations to the value of churn in order to tackle deficiencies.

Secondly, B2B organizations may be investing less in retention programs and more in onboarding and customer training experiences, whereas B2C customers make a greater effort to intervene when subscribers show intention to leave. These numbers reveal an opportunity for B2B companies to implement some of the offer-based tactics used by B2C companies to save customers before cancellation.

What percentage of your recurring revenue churns each month on a GROSS basis (i.e. revenue lost from account cancellations and contractions)?

	> 1.0%	2.0% - 2.9%	2.0% - 2.9%	3.0% - 3.9%	4.0-4.9%	5.0% or greater	Don't know
B2C	8%	17%	33%	23%	14%	2%	3%
B2B	8%	6%	20%	31%	20%	8%	8%
Hybrid	4%	17%	30%	23%	10%	11%	4%





Only 1 in 4 subscription companies are growing more than 30% year over year

B2C, B2B and hybrid companies delight customers with convenience, exceptional customer experience and ease of use. However, it's never been easier for customers to cancel, downgrade or switch service providers in a few clicks. And increasing competition means the emphasis on customer acquisition continues.

growth, subscription business must invest equal, if not more, resources into retaining customers as acquiring them. Retention is also a more efficient way to grow with a dollar retained being 7x cheaper than a dollar acquired.

Acquiring customers is important, but can overshadow retention efforts. In order for subscription businesses to drive increased

What is your current year over year revenue growth rate?

	> 0%	0%-5%	5%-10%	10%-20%	20%-30%	30%-50%	50%-100%	Don't know
B2C	0%	19%	20%	16%	28%	13%	0%	0%
B2B	2%	8%	20%	20%	18%	23%	5%	5%
Hybrid	1%	5%	24%	28%	15%	13%	9%	4%



Top customer relationship management (CRM) and e-commerce platforms

	B2B CRM		B2C E-COMMERCE		HYBRID CRM
1		1		1	
2		2		2	
3		3		3	
4		4		4	
5		5		5	
6		6		6	
7		7		7	
8		8			
		9			



Top customer support software

B2C CUSTOMER SUPPORT SOFTWARE

- 1  salesforce
- 2 zendesk
- 3  freshdesk
- 4  INTERCOM
- 5  Zoho Desk
- 6  Help Scout

B2B CUSTOMER SUPPORT SOFTWARE

- 1  salesforce
- 2 zendesk
- 3  Zoho Desk
- 4  freshdesk
- 5  INTERCOM
- 6  Help Scout

HYBRID CUSTOMER SUPPORT SOFTWARE

- 1  salesforce
- 2 zendesk
- 3  INTERCOM
- 4  Zoho Desk
- 5  freshdesk
- 6  Help Scout



Top billing systems

B2C BILLING SYSTEMS

- 1 **stripe**
- 2  **chargify**
- 3 **Braintree**
A PayPal Service
- 4 *Chargebee*
- 5 **Recurly**
- 6 **ZUORA**
- 7  **ReCharge**

B2B BILLING SYSTEMS

- 1 **stripe**
- 2 **ZUORA**
- 3 **Recurly**
- 4 **Braintree**
A PayPal Service
- 5  **chargify**
- 6 *Chargebee*
- 7  **ReCharge**

HYBRID BILLING SYSTEMS

- 1 **stripe**
- 2 **Braintree**
A PayPal Service
- 3  **chargify**
- 4  **ReCharge**
- 5 **ZUORA**
- 6 *Chargebee*
- 7 **Recurly**





Top retention trends for subscription businesses

Our research shows that retention B2C, B2B and hybrid subscription business leaders view retention as a top priority in 2019, but no single retention strategy is widely adopted across the subscription industry. Customers on the verge of cancellation are being served special deals and discounts, but this isn't enough to deliver growth most businesses need.

To combat churn and grow businesses sustainably, these companies must prioritize retention initiatives that go beyond providing better customer support and onboarding experiences. Business leaders are looking for a way to classify at-risk customers, insights into why customers cancel and a mechanism to provide personalized outreach when it matters most. A systematic approach to retention—that is in lock step with the importance of acquisition—is an untapped growth lever for all subscription businesses today.

TREND 1

B2C companies know they must do better at retention

TREND 2

B2B companies prioritize customer education, while B2C focus on support

TREND 3

Today most companies turn to discounts and deals to retain customers

TREND 4

The future of retention is knowing when to engage and why

TREND 5

Subscription businesses churn an average of 2.0%-3.9% of revenue each month

TREND 6

Only 1 in 4 subscription companies are growing more the 30% YoY





Make retention your new growth strategy

Talk to us about starting a pilot.

sales@brightback.com

ABOUT BRIGHTBACK

Brightback is the first automated customer retention software for subscription businesses. High volume subscription businesses such as Copper and Crazy Egg use Brightback to successfully retain customers by reducing up to 20 percent of cancellations. The company is headquartered in San Francisco, and includes a remote-first workforce of mostly Silicon Valley emigrants now living across the globe. Learn more at www.brightback.com.

METHODOLOGY

We surveyed approximately 332 senior managers, directors, executives and owners working in USA-based companies in the financial, media, retail, telecommunications, computer software and Internet industries. Survey respondents were selected based on role and industry and were contacted via email. Results were completed in Q1 2019.