



6 secrets to building customer retention

How to automatically save more customers when it counts



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INTRODUCTION

Subscription businesses can't survive on acquisition alone. It's not an efficient way to grow given that it's 7X more expensive to acquire a customer than to retain one. And now that today's customer journey extends well beyond a transactional moment, there's more and more revenue to be earned after the initial purchase. This means you must do everything you can to extend the lifetime value of your customers before they cancel.

Here's a lucky break: many of your customers don't really want to leave you. Between 15 and 30 percent of customers decide to cancel for reasons that are within your control.

Tapping into these customers at the right moment for the right reason, and giving them a path to stay is the key to reducing churn for subscription companies.

This guide outlines the secrets to customer retention including how to intercept customers who intend to cancel, use their feedback to take action, build better experiences and ultimately retain subscribers.

It's **7x more expensive** to



ACQUIRE A CUSTOMER

than to



RETAIN A CUSTOMER



Secret #1: Every customer should be surveyed at the point of cancel

Cancellation is a critical moment in the customer lifecycle rivaled only by the moment of purchase, and yet it remains a blindspot for most companies.

When your customers show intent to cancel, it's a signal that their expectations aren't being met. It's not too late to step in and help your customers find what they were looking for when they signed up for an account in the first place. Gathering data and feedback at this critical moment enables your teams to make improvements to reduce churn in the future.

You may be thinking that the subscription industry already has many ways of collecting customer feedback. Yes, Net Promoter Scores (NPS) and in-product surveys are table stakes for most companies, but polling customers while they're still customers isn't enough.

When customers cancel, they're sending a message with their wallets—to effectively reduce churn, you need to know why. Surveying customers at the point of cancel is an untapped opportunity because:

- It's timeline agnostic. Looking for feedback only when customers achieve certain milestones leaves valuable information on the table. You need insights from customers whether they've been paying for 3 days or 3 years.
- It's actionable data. Twenty percent of customers cancel for the wrong reasons. You can influence 1 in 5 customers to stay if you take action in the moment.



20% of customers cancel for the wrong reason.



- Customers are willing to give honest feedback. Outside of cancellation, customers may alter their answers for a variety of reasons, if they respond at all.
- There's greater coverage of your customer base. In order to make decisions, you need to be gathering data broadly and in aggregate. The more diverse your customer base, the more important it is to talk to as many of them as possible.
- You don't have to rely on translation from sales and success teams.

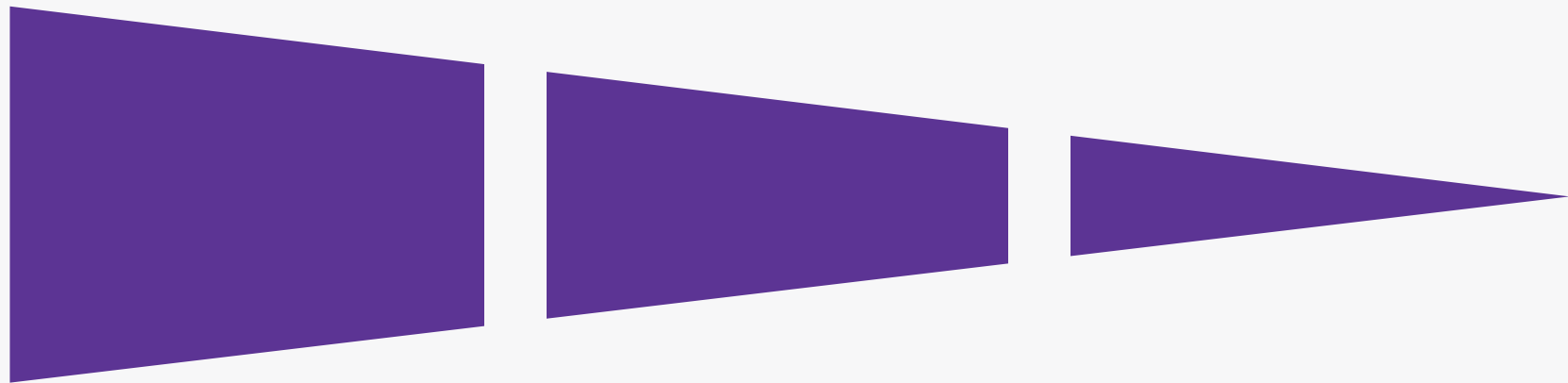
Think about cancellation like a funnel. As your customers make their way through the cancel process, you can survey them to learn about their reason

for canceling and mobilize your teams to take action in the moment. In the same way companies identify, market to and convert prospects, you can use cancellation to gather insights, make targeted offers and reduce churn.

One way to build this funnel is to present a standard exit survey at the point of cancel. A step further is to use a product that identifies at-risk customers and serves up a personalized cancel experience based on customer segmentation, like plan type or billing details. This is ideal to automate the retention process (e.g. reaching out to customers or alerting the right teams) and save engineering resources related to integrating survey data.

Talking with every customer who cancels will arm you with the insights you need to improve your product, but only if it's classified in a systematic way.

Cancellation funnel



IDENTIFY
at-risk accounts

ENGAGE & LEARN
with personalized experiences

RETAIN CUSTOMERS
to drive incremental revenue



Secret #2: Understand categorically why customers leave

As customers are surveyed at the point of cancel, their reasons for cancelling should be organized into categories.

To build categories from scratch, start unstructured and open-ended. Ask customers to describe in a text box why they're canceling their account. This is qualitative data, but as answers are collected, you can categorize reasons and later prompt customers to choose from a list.

When defining categories, consider who is influenced by the feedback. Ask yourself: What actions will you be taking as a result of this information? Typically, this data is most valuable for product improvement, customer and market intelligence, service feedback, monitoring sentiment or identifying new avenues for growth.

Reason based classification has three major benefits for companies:

1. Everyone in the company speaks the same language about churn, and you can revisit the reasons people cancel again and again for new insights.
2. It's easier to identify what parts of the business are in need of investment in order to retain more successfully.
3. You can assess the efforts and investments made over time are having an impact on churn, especially when the data is reviewed in cohorts.

You can also explore revenue classification if you regularly include this information in company reports or use revenue types as part of your organizational KPIs. To do this, ask customers to identify their plan type, payment frequency or use a tool to gather this information automatically using a customer management solution.

Every company will look at their churn data differently, but will generally come to the same conclusions about their reasons and categories. Generally, these categories look the same across business types and industries.

Top cancellation categories:

- ▶ Pricing
- ▶ Product
- ▶ Customer experience
- ▶ Setup failure
- ▶ Needs
- ▶ Stakeholders
- ▶ Competition



When there's a discontinuity between the source of the data and analysis, even simple acts of customer retention can be out of reach.

Secret #3: Connect churn data to a central source of truth

The key to surfacing churn data throughout an organization is making sure it's delivered to a system of record that is easily publicized, analyzed and actioned.

Most companies have multiple tools capturing product usage, customer feedback, payments and support engagement. Data is spread across sources (like CRMs, product analytics, customer success notes, business intelligence platforms, etc.) and across departments, and this contributes to the time lag between data being collected and taking action.

When there's a discontinuity between the source of the data and analysis, even simple acts of customer retention can be out of reach.

For example, a customer indicates their reason for canceling is pricing related. This information lives in a data capture mechanism like a survey tool or within the product owned by the product organization, but the capability to reach out and contact the customer lives in an entirely different system like a CRM owned by sales and success. This is a case of voluntary churn that could be influenced to stay if the customer's need was met. Given a few integrations and a proactive team member, this customer could be contacted and presented a special deal or bundle. But it becomes more and more unlikely the customer will return as time between feedback and action grows.

Even with large amounts of customer insights, it can be difficult to actually organize teams around retention opportunities and improve the customer experience. If you can't easily find and determine why your customers are canceling, the cycle of churn will repeat itself.

Customer retention efforts can be shared across multiple teams, so accessibility ensures data is shared regularly and frequently. As your data set grows, you can review trends and customer cohorts over time and empower your teams to use churn data as a key driver of product and company improvement.



Secret #4: Segment customers by actionability

Actionability measures whether you can engage the customer and get a response that meets an objective. In many cases the objective is not canceling, but this could also be things like converting from trial to a paid account or getting the customer to expand.

Segmenting customers by actionability allows you to funnel resources to customers that are likely to respond, and learn from the ones that can't or won't.

VOLUNTARY V. INVOLUNTARY CHURN

One approach to segmenting by actionability is determining whether the churn is voluntary or involuntary. Voluntary churn happens when the customer actively chose to leave, meaning they hit the cancel button or contacted support to initiate cancellation. Involuntary churn occurs when a

customer doesn't intend to leave and is generally related to payment problems like expired credit cards. Voluntary churn accounts for the majority of churn in most businesses, and represents an overlooked opportunity for retention-based growth.

INFLUENCEABLE V. NON-INFLUENCEABLE

A different approach is defining whether you believe the customer won't churn if you were to satisfy unmet needs. This is referred to as influenceable vs. non-influenceable churn.


This segmentation is critical to alerting the right team to deliver what's needed to the customer. Over time, you can optimize who should reach out, where they should reach out and with what offering to meet the customer's needs.

INFLUENCEABLE CHURN:

- Poor onboarding
- Misunderstood product
- Mismatch of value for cost
- Poor customer experience
- New stakeholder or executive owning services
- Not seeing value for price

NON-INFLUENCEABLE CHURN:

- Needs or interests changed
- Poor performance or reliability
- Downsized or exceeded budget, especially if price changed
- Security incident (i.e. breach of trust)
- Mistaken purchase



Offers are about doing whatever you can to retain revenue that would otherwise be lost.

Secret #5: Save customers with personalized, reason-based offers

Actionability only works if you provide an offer to an influenceable customer on the right channel, at the right time for the right reason. Doing this can solve your customers' unmet needs and give them a way to stay.

To start, set up alerts to notify the right teams when a customer who reaches certain classification and actionability criteria decides to cancel. Alerts should include the relevant customer information needed to make contact, so that teams can move as quickly as possible armed with the reason for cancellation.

These alerts should trigger engagement with the customer, and that engagement will look different based on the offer. Think about triggering live chat with support or follow-up tasks for your CSMs.

Based on the combination of customer data (plan type, etc.), the reason for cancel and the objective for outreach, it's time to make offers to your customers to help them stay. Here's what those offers could look like:

- Eligibility-based discounts
- The ability to downgrade or pause account
- Free services or "let's set you up"
- Training videos
- Live chat with support

Offers are about doing whatever you can to retain revenue that would otherwise be lost. In the case of a customer who didn't have time to get set up, consider connecting that user straight away with a customer service rep or an onboarding specialist. These seemingly small actions have compounding results.

Over time, as you track the effectiveness of your offers, you can identify the reasons and offers that increase actionability and eliminate those that don't reduce churn.



Secret #6: Make saved revenue your retention KPI

Customers who accept offers and decide not to cancel (called deflection) are directly attributable as saved revenue. High deflection rates can mean big things for your bottom line; customers continue to generate more saved revenue the longer they continue to subscribe.

It's a best practice to monitor the customer for a given amount of time to make sure the deflection is earnest. Many tracking systems will enable this kind of monitoring. At Brightback, we attribute "saves" using a 30-day cookie.

Deflection can be considered a new source of retained revenue without the cost of advertising or sales. As such, it should be tested and optimized like any other revenue generating activity. Here's where you should be gathering data and making changes to increase saved revenue:

- **Survey copy:** use dynamic fields to personalize names, companies or attributes unique to your customers.
- **Reasons for cancellation:** isolate actionable from inactionable reasons, and track open ended comments to mine and explore new reasons.
- **Segmentation:** track actionability based on customer attributes like billing, tenure, value, and product usage.
- **Offer strategy:** define what offers (discounts, meetings, etc.) entice customers and ultimately lead them to stay.
- **Engagement workflow:** look for the outreach channels that are most effective.
- **Product enhancements:** find the patterns in customer feedback about your product and focus improvement there.

A systematic approach to retention

There are hundreds of ways to retain customers, but no one clear approach has taken hold for the SaaS and subscription industry. Instead of looking for leaky parts in your lifecycle, approach retention like a system. These six secrets represent a methodology founded on the principle that the best way to retain customers is to improve the overall cancel experience while saving customers who can be influenced to stay.

By taking a systematic approach to measuring churn and saving customers, you gain new insights about what your customers want and improve your retention metrics that will accelerate your revenue growth and path to profitability.



Make retention your new growth strategy.

**Schedule your free 30 minute
growth consultation today.**

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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.