

CODE | SCIENCE

# Churn Report

# CODE : SCIENCE

Founded in 2008, CodeScience was one of the first PDOs (Product Development Organizations) for Salesforce focusing on building products on the Salesforce platform. Since then, we've brought more than 90 products to market on the AppExchange and we're just getting started.

With offices in Chattanooga, TN and San Francisco, CA, we support the unique needs of ISV companies, guiding them through the full lifecycle, including the plan, build/test, distribution, marketing, sales and customer success phases. We create amazing products for the AppExchange at top speed, but we're so much more than a super-fast development shop. We bring special expertise to the table to support SaaS businesses. Our clients look to us to bring solutions to market that transform their business and bottom line while avoiding common pitfalls companies can encounter when they grow.

# Setting the stage

A key metric in determining the valuation of a SaaS company is lifetime value.

**The #1 enemy of lifetime value is churn.** According to startup guru [David Skok](#), as a SaaS company grows, the size of the subscribers/customers/users who no longer do business with the company will also, organically, grow.

MRR (Monthly Recurring Revenue)

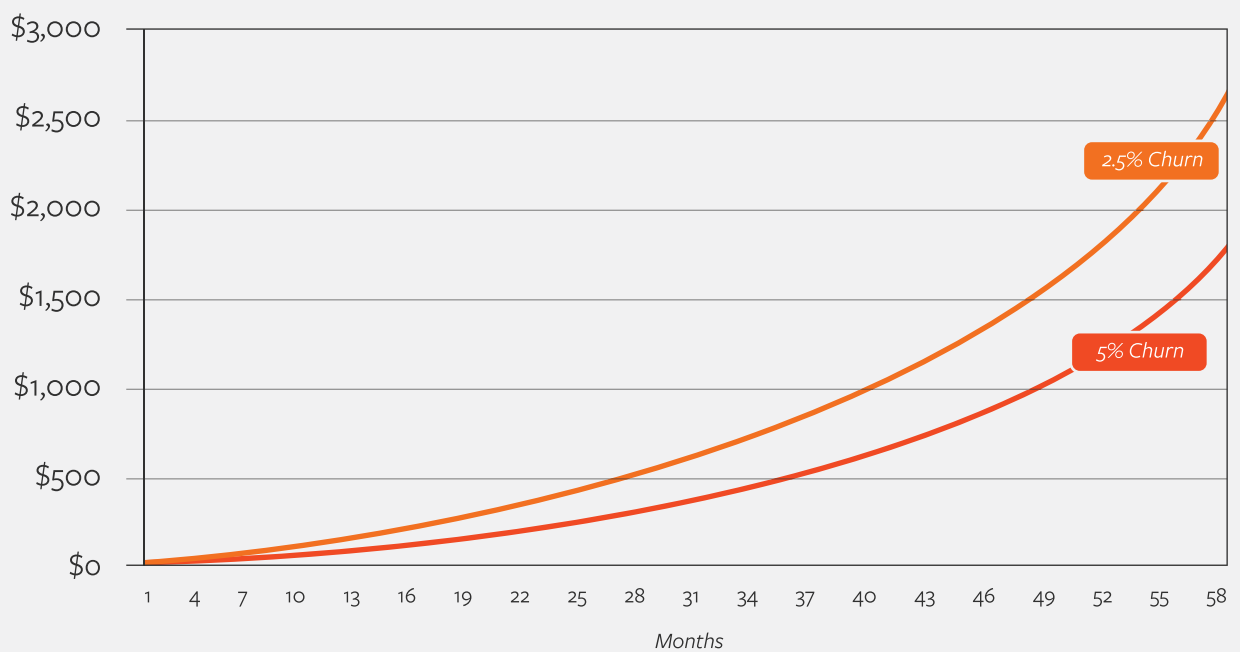


Chart credit: [David Skok](#)

What does this mean? A loss of revenue, which requires more and more signups from new customers just to replace what you are organically losing every month. In other words, growth slows, becomes stagnate or worse, churn is so bad, you're losing more customers than you're gaining every month. That's why you need to be simultaneously feeding your growth engine, while monitoring churn and your other startup metrics. Even a small reduction in churn can have a significant impact on Monthly Recurring Revenue (MRR).



## Mission Critical

The simplest way to calculate SaaS churn is to divide the number of customers canceling their order/subscription in a timeframe by the total number of customers at the beginning of that time frame. So if Company A had 500 customers at the beginning of June, and only 400 customers at the end of June, the churn rate would be:

$$500 - 400 / 500 * 100 = 100 / 500 * 100 = 20\%$$

It's mission critical for a SaaS company to get a handle on its churn rate.

***Here are 7 ways (plus a bonus tip!) to reduce churn using the Salesforce clouds.***

## 1

# Make Your Onboarding Process as Easy as Possible

Just because your customers accepted your invitation, doesn't mean they will actually come into the party. The onboarding process is a breeding ground for your customers to exit before you get a chance to truly engage them. Starting from the first call-to-action a customer sees, the onboarding process goes beyond installation to span a period of time to try to ensure the customer uses your product.

Onboarding issues arise when:

- You don't clearly explain how to use the product
- You don't highlight the value of the product
- Your marketing copy gives a false impression of the product's functions
- Your installation process is tedious

## Case in point: The installation process at [SpringCM](#) to integrate Salesforce and their File it! app.

If their app was being judged on first impressions, it wasn't going to make it to the second date. Streamlining installation took a 30-page, two-hour time commitment down to a 10-15 minute, guided process via a wizard. The reduction in the technical acumen needed results in a lower total cost of ownership, and, most importantly, immediate confidence and satisfaction in the product from customers. Here's what that's led to -- so far. In 2015 alone, SpringCM grew its annual recurring revenue (ARR) by approximately 160% -- not just by increasing the amount of clients it serves (by 25%), but by also increasing the size of the deals signed (by nearly a third). They enjoy a stunning 96% customer renewal/retention rate.

The onboarding process should be made as easy, simple and clear as possible. Even minor tweaks can help customers take action.

## How the Salesforce Clouds Help

Salesforce offers a rich "store" experience to their ISV partners. You get an out of the box install and deployment process for the initial portion of your install process. They also take care of trial management and even billing for some partners. For the unique part of your install process, their frameworks and design libraries can really cut down the amount of R&D budget that you need to invest in the onboarding process.

## 2

## Identify & Address Activity Churn Signals

Just like personal relationships, your customers don't suddenly wake up and break up with you. Usually, trouble's been brewing for a while. And just like those personal relationships, you have a chance to address issues and potentially work things out - if you catch it in time. But how do you know when a customer's about to jump ship?

Activity Churn

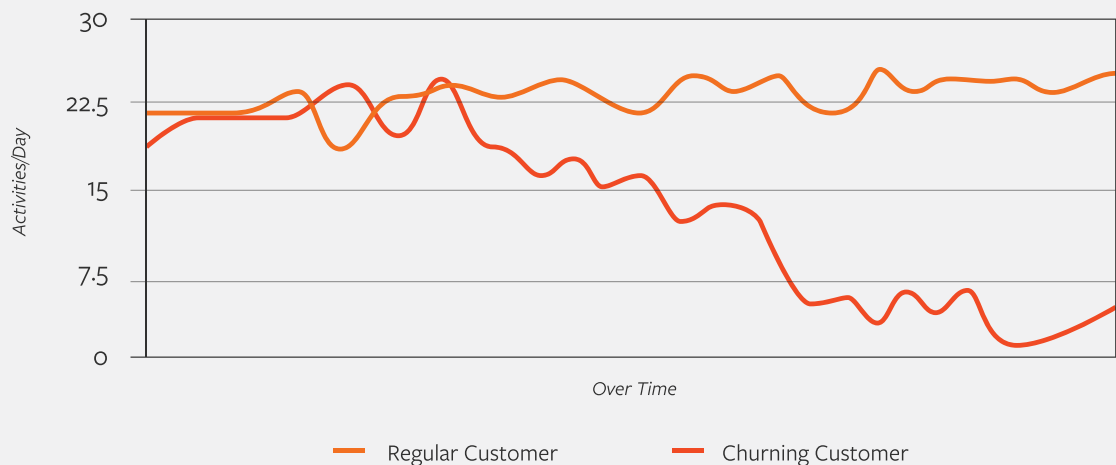


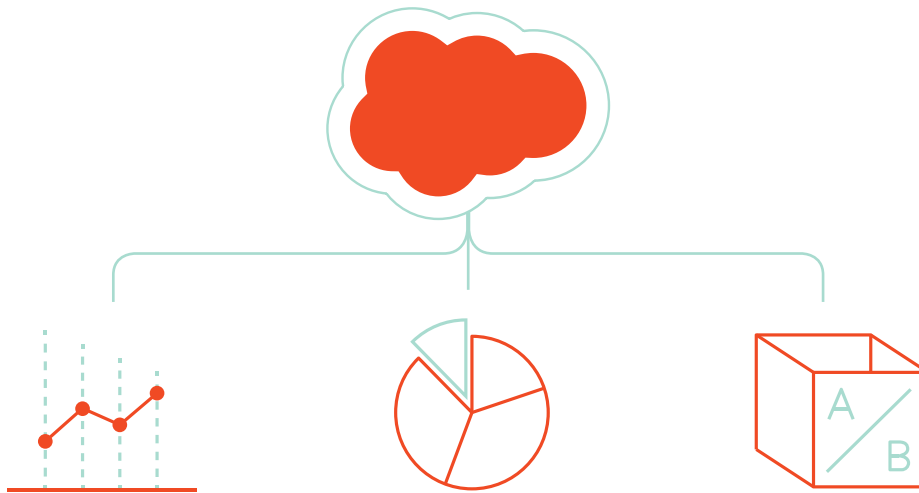
Chart credit: [Des Traynor](#)

Take a look at your analytics on your customers' activity and identify your red flags.

Examples could be:

- A reduction in the time spent by a customer in their dashboard
- A reduction in the number of the client's users accessing your product
- The time spent by a user on a single feature/task (is the client experiencing problems moving onto the next step?)
- Time spent on features suddenly falls away. Does this feature not support their use case anymore?

By segmenting the customers behind these red flags, you can work towards mitigating the churn.



## How the Salesforce Clouds Help

Sales, Service, and Community Cloud can create a 360 degree view of customer activity. Customer interactions with your sales team about revenue opportunities show up beside their cases logged with your support group. The questions that they collaborate on with other customers also appear on the same record. As a result, you can track, measure, and report on their holistic relationship with your company from one application.



# 3

## Re-Engage with Trigger Based Emails

Once you identify which actions add value to customers and make them come back for more, you can setup automated, trigger-based emails that encourage people to take those actions. Email triggers can take the following forms:

- Abandoned cart reminders
- Customer lifecycle management (birthday emails, activity encouragement emails, etc.)
- Shipping confirmation emails

The basic idea is to ensure that existing clients remain active and engaged, which is the way to win recurring business from them. Take a look at your own product, and ask yourself, what are the actions that add value to your users? Then, set up automated, trigger-based emails to encourage people to take those actions, all the way from completing your onboarding process to using your product on a regular basis. But take heed, intrepid product manager! Not all customers nor churn reasons are universal. Use the following guidelines to decide how and when to send emails.

### Guidelines for Sending Re-Engagement Emails

#### A. Target the Right Customers

There is a difference between someone who didn't convert after a 30 day trial and a year-long user who has started to slip away. The difference results in two different jobs, conversion and recovery. Don't let them both fall into a naive "we miss you" bucket.

#### B. Be Personal

Don't auto-mail a customer who has several open support issues to remind them to login. Such activities do more harm than good. Cross pollinate your email with support data to ensure this mistake is prevented, then have a real support person start a conversation to identify this customer's needs and how they might be best served. Engagement is a two-way street!

#### C. Be Interesting

Motivate your user to login. There are often features that will bring customers back, or prevent them from switching. By offering churning customers a glimpse of what's coming down the line, you can excite them about future releases. Things that inspire people to stick around are usually features which save time (e.g. better importing), increase efficiency (e.g. integrating with 3rd parties), or offer additional value for no extra work (e.g. weekly reports). Leverage usage metrics to help you identify these features.



**D. Be Visual**

If you have new features or even UI refreshes coming down the line, screenshots can be particularly interesting for long standing users. If the improvements are in terms of workflow, sometimes a clear diagram will be seen and understood far better than paragraphs of text.

**E. Be Kind and Respectful**

Some amount of churn happens naturally, understand that your product will not solve everyone's needs. Do what you can to retain or convert the customer but over-sending emails for months post loss will drive negative emotions and will end up doing more harm than good.

## How the Salesforce Clouds Help

Once you've identified key customer actions and followed the guideline above, Salesforce Marketing Cloud provides significant horsepower for running the email campaigns. With Journey Builder, you can reach customers across all digital channels, devices, and business functions from one platform. Create simple, or complex, rulesets that route highly targeted emails to your customers. Automate engagement and build 1-to-1 journeys at scale - all while adapting interactions based on customer behavior. Leverage predictive intelligence to deliver relevant content.

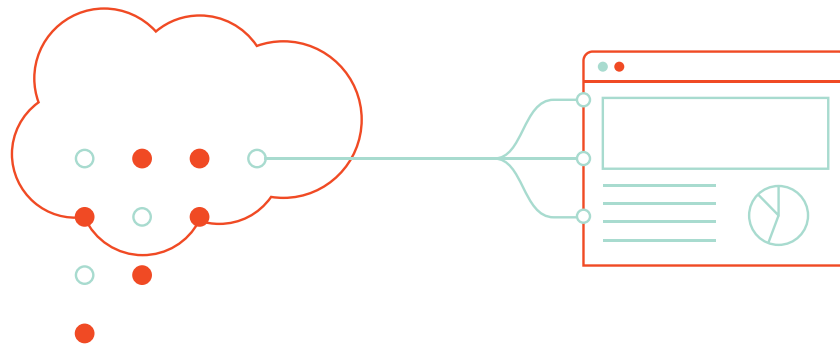


## 4

## Customization Trumps Instant Gratification

Allow your customers to grow with your SaaS product. What happens when your customers spend more time using your software? They'll demand greater control on how they use it. The makeup of your SaaS product and plan should enable them to grow with your service through configuration, user-generated content, and personalization.

Forge customer relationships for life. The more control you give to customers to tweak the product to fit their business needs and processes, the greater the value they receive from it, and the stronger the continued usage potential will be.



### How the Salesforce Clouds Help

Salesforce App Cloud allows companies to create customizable, configurable software for their customers. Depending on how customized you would like to make it, you can leverage the Force.com platform or even Heroku technology. Successful ISV's also leverage Community Cloud to create a rich environment of content, both curated and user generated, to assist their customers without even picking up the phone.

# 5 Increase Collaboration with Your Customers

Help your customers surface ideas and problems by providing communication pipelines to your support team, your product team and your other customers! Open the lines of communication via a customer community implementation associated to your business org. Utilizing standard community templates for case management and chatter or extensive implementations leveraging more advanced features such as Knowledge Base and Community Discussions will enhance the experience a customer feels when looking for support or information.

[Sumo Logic](#) is a firework in the startup world, but faced real challenges figuring out the best way to set its customers up for success. By implementing a Salesforce Community, Sumo Logic was able to:

- Democratize internal knowledge to make it available for all users
- Help customers use Sumo's platform better by creating a one-stop shop for questions, exploration of new products, potential ideas, and collaboration
- Improve user onboarding to instantly empower them to thrive, not just survive

## How the Salesforce Clouds Help

Salesforce Community Cloud provides modules for managing questions, discussions, ideas, knowledge articles, cases, and countless other type of information. It also supports chat, phone, self-service, and even bleeding edge communication channels still in development. At the same time, Salesforce Marketing Cloud enables companies to collaborate with customer through social media. It helps them track, engage, and shape conversations as they happen in real time.

## 6 Increase Human Touch

The amount of contact you'll have with your customers depends on the service you provide. Though a high-touch Customer Account Management team might not be right for you, customers need to hear from you beyond just billing transactions. At a minimum, staff a community manager and utilize automation to identify those customers needing human touch.

Use analytics to identify the points at which customers are most vulnerable to churn, and craft a plan for reaching out in a genuine, human (even if automated) way. Provide resources, best practices, or a voice or video chat where they can find support and guidance.

### How the Salesforce Clouds Help

Like with #5, the Salesforce Community and Marketing Clouds provide the ability to create very focused, personalized outreach and engagement with your customers. Combined with voice and video content, or direct interaction, they can be a powerful tool to reduce churn by increasing engagement.

## 7 Partner with other Companies

Want to instantly add value? Invite partners to build add-ons or get your product integrated into another SaaS product and vice versa. When customers are in the mood to unsubscribe or cancel, you need to give them a compelling reason to stay. And what's better than giving them a new way to use your SaaS product?

### How the Salesforce Clouds Help

Salesforce was the first in the cloud computing space to envision and execute on a business model built on partnerships - even the name "App Store" was coined and trademarked by Chairman and CEO Marc Benioff, before being gifted to Apple. The Salesforce App Cloud encourages collaboration between the ISV's with offerings on the AppExchange. Content providers can tap into use cases with business process applications. Business process applications can leverage content to create unique positions within their markets. Amazing new technical capabilities can be added to your product through partnerships, even before they are available as part of a core Salesforce Cloud. Networking and partnerships between App Cloud ISV partners are a hidden but important part of the return on formalizing a Salesforce partnership.



YOUR SAAS IS IN OUR HANDS



CODE : SCIENCE

# Bonus Tip: NPS FTW

[Jason Lemkin](#) of SaaStr (and Echosign) fame has been pounding the street that Net Promoter Scores (NPS) are the hidden metric that all SaaS companies should be using to track their customer satisfaction. We speak from experience that NPS is a key method that we, at CodeScience, track the success of our client relationships. We go as far that if we receive any response of less than an 8, one of our leadership team immediately contacts our client to address concerns.

## **Borrowing directly from [Wikipedia](#):**

*Net Promoter Score is a customer loyalty metric developed by (and a registered trademark of) [Fred Reichheld](#), [Bain & Company](#), and Satmetrix. It was introduced by Reichheld in his 2003 [Harvard Business Review](#) article "One Number You Need to Grow".[3] NPS can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (i.e., higher than zero) is felt to be good, and an NPS of +50 is excellent. Net Promoter Score (NPS) measures the loyalty that exists between a provider and a consumer. The provider can be a company, employer or any other entity. The provider is the entity that is asking the questions on the NPS survey. The consumer is the customer, employee, or respondent to an NPS survey.*

Dealing with churn is not a contract renewal process. Churn is a measure of how satisfied your customers are with your product, service, and pricing. As executives, you need an ongoing measure of your clients' love of your product.

## How the Salesforce Clouds Help

The [AppExchange](#) is your best friend when it comes to picking an NPS solution. To make your life simple, install an NPS solution that is integrated deeply into your Sales Cloud. With a solution like [GetFeedback](#), you not only get a best of breed NPS solution deeply integrated with your CRM, you also get an incredible tool that you can use for any of your survey needs.

# Final Thoughts

SaaS companies that enjoy a low churn rate do more than just put out a great product. They communicate and create a process that keeps their customers coming back for more. Don't sweep this mission critical piece under the rug. Leverage the strategies and the Salesforce solutions listed above to your advantage.

CodeScience is the only Salesforce partner that is completely focused on SaaS companies. We bring solutions to market in a way that transforms our clients' businesses and their bottom lines. Helping with sales, distribution, customer success, marketing and implementation, we deliver a holistic approach that supports SaaS businesses throughout the ISV lifecycle. Put your SaaS in our hands. [Talk to our team today.](#)

CODE | SCIENCE

# Thanks!

Contact Us

[sales@codescience.com](mailto:sales@codescience.com)

[www.codescience.com](http://www.codescience.com)