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Customer Retention
Sample Materials

Customer Retention: Process Overview

Phase	**Phase 1: Retention current state assessment**	**Phase 2: Program design & development**	**Phase 3: Implementation & roadmap**
Key outcomes	• Identify churn drivers and prioritize highest-impact retention initiatives	• Design retention program and ID capabilities needed to improve churn	• Create implementation roadmap and set future-state retention targets
Key activities	• Analyze retention across customer segments • Synthesize results of existing retention initiatives and customer success efforts • Identify and quantify drivers of customer attrition per lifecycle phase • Develop list of potential retention initiatives to address drivers of attrition • Assess all potential initiatives based on impact, effort, and strategic fit	• Prioritize top retention initiatives to pursue with leadership • Set program goals, success metrics, and performance tracking mechanisms • Develop customer engagement strategies for at-risk and high-value customer segments • Define key responsibilities by function for the program • Synthesize top best practices & learnings to guide retention efforts	• Develop a comprehensive retention strategy aligned with enterprise goals • Build an overall roadmap for the retention effort including resource needs and next steps • Design a customer retention framework to monitor performance and track progress over time • Support execution (e.g., issue resolution, ongoing perf. monitoring)

Agenda

Current-state assessment

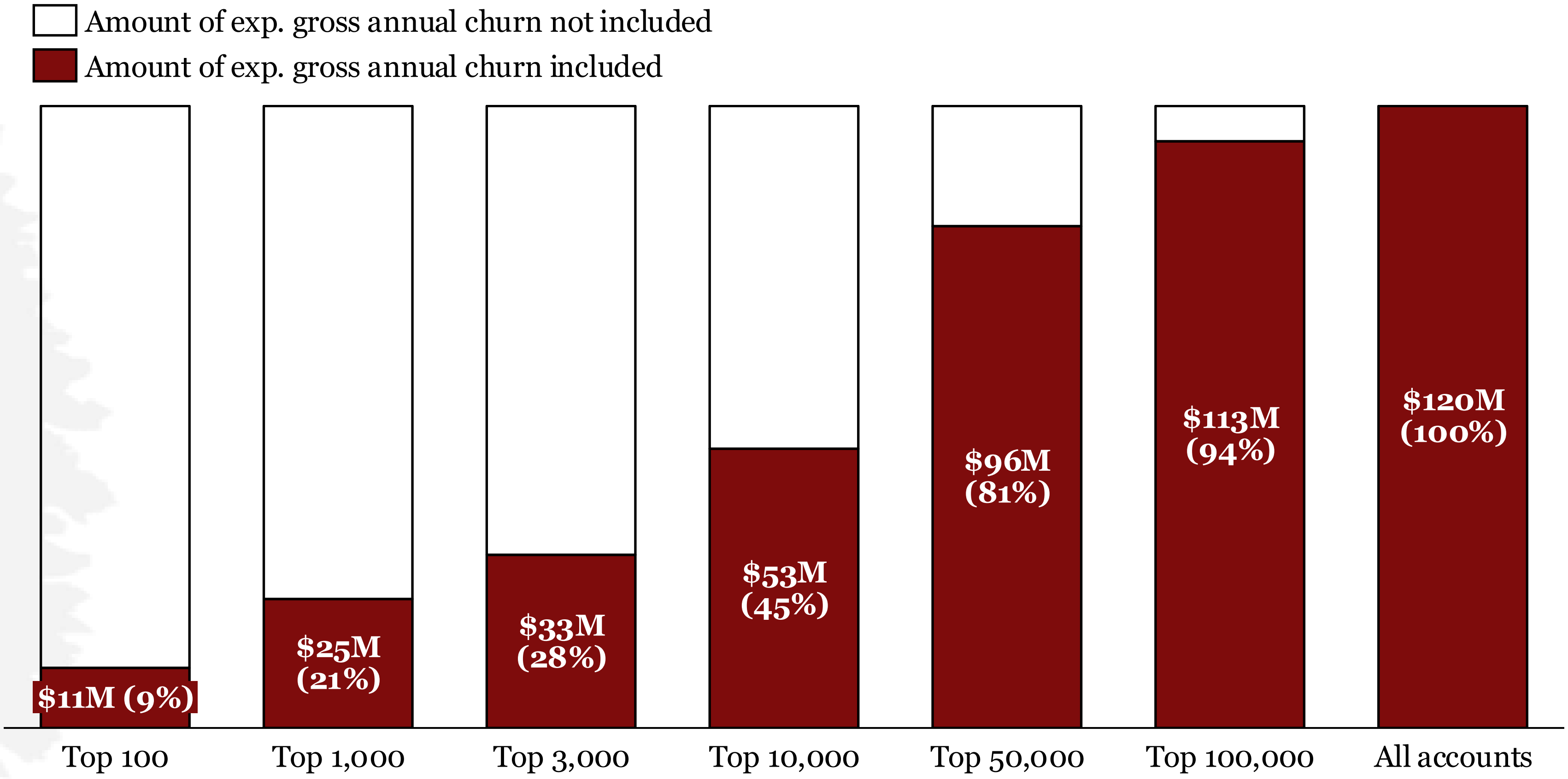
Program design & development

Implementation roadmap

Illustrative values

Team contextualizes project by ranking accounts from greatest to smallest expected gross annual churn dollars

Percentage of total expected gross annual churn by account rank ***($Ms (% of total gross ann. churn))***

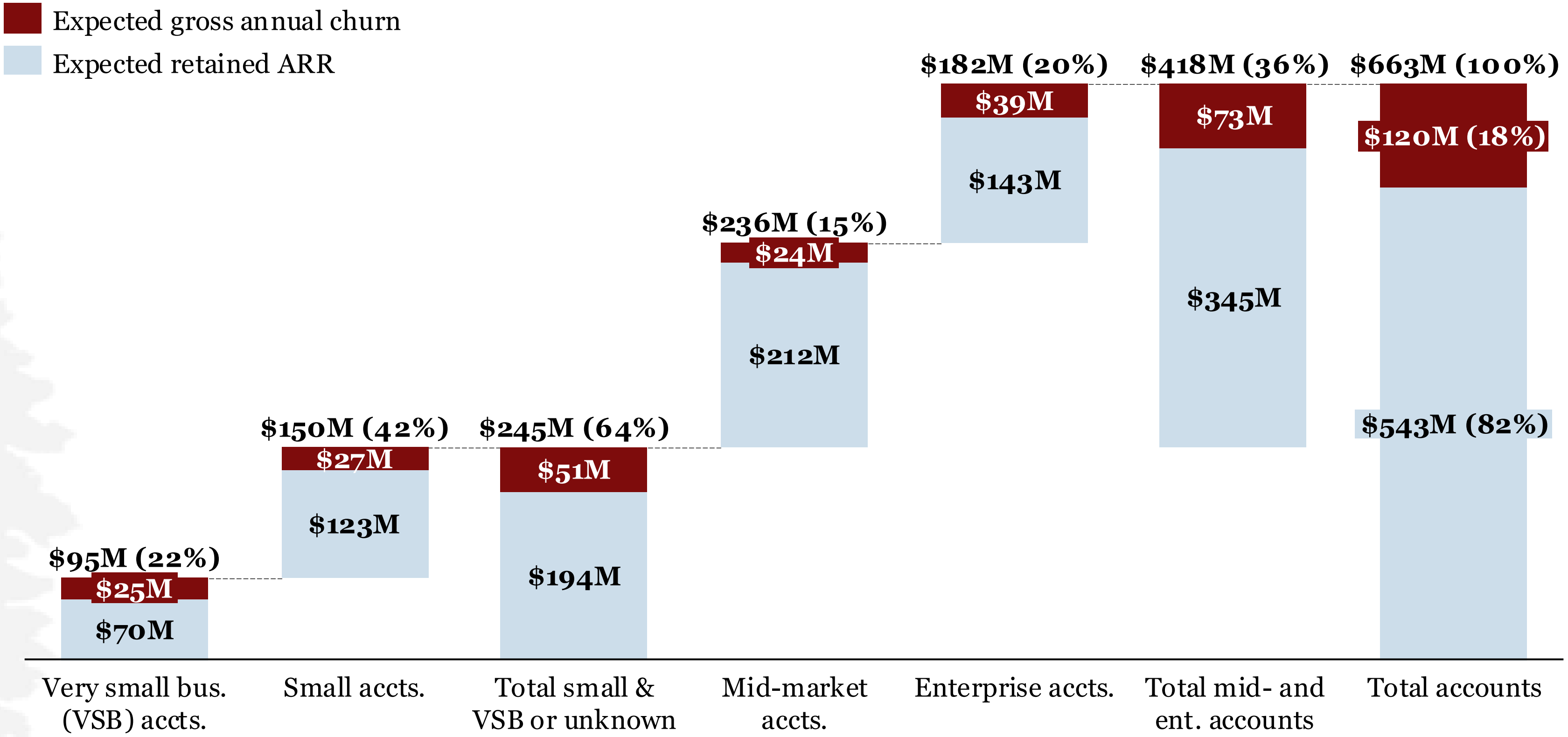


The top 3,000 accounts with the greatest exp. gross annual churn constitute ~28% of total exp. gross annual churn ($33M of $120M)

Illustrative values

An annual recurring review (ARR) overview is mapped out based on customer size

Breakdown of current ARR and expected annual gross churn dollars by company size *($Ms)*

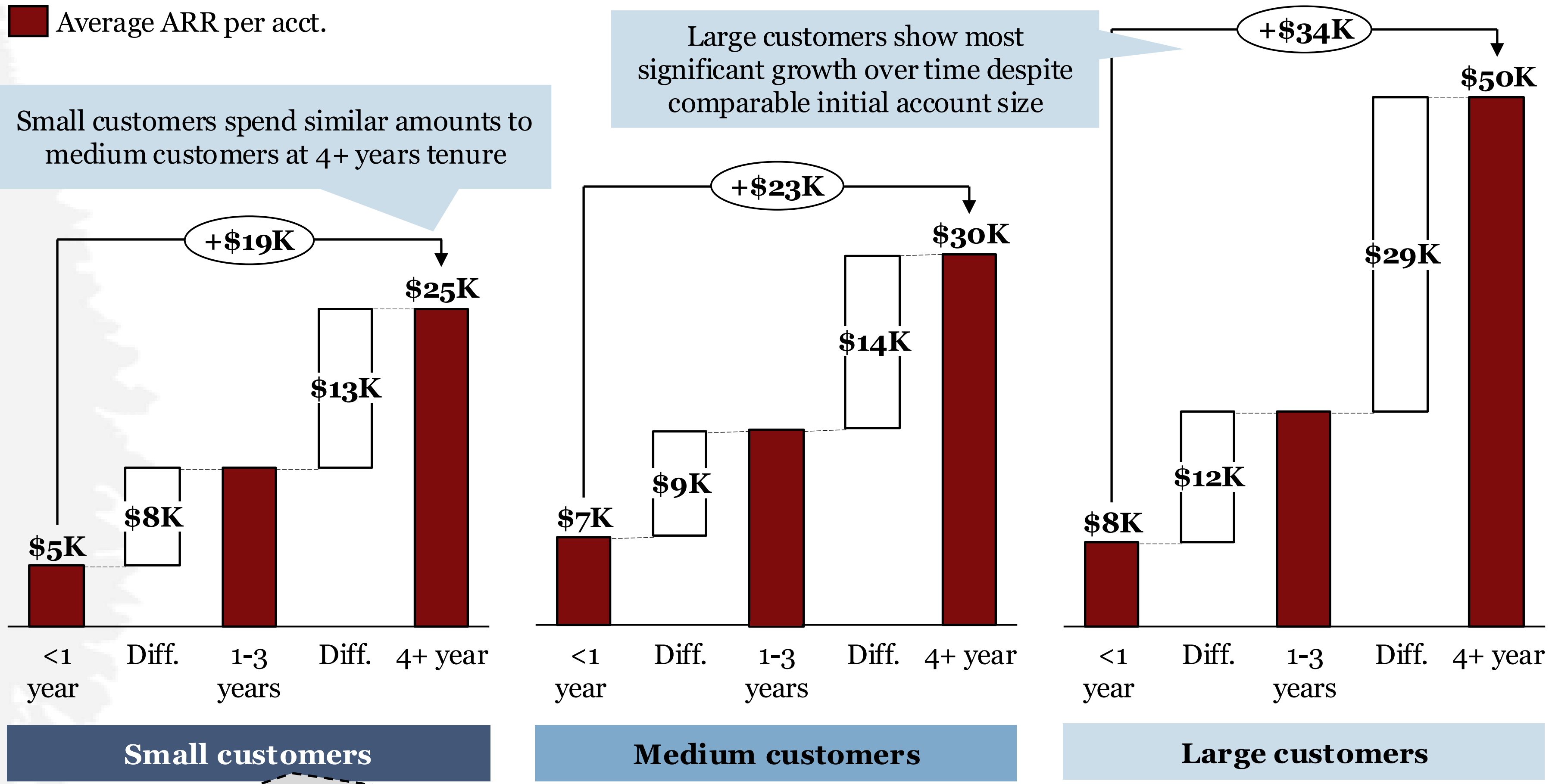


# of accts.	30K	23K	53K	12K	6K	18K	71K
% of accts.	42%	33%	75%	17%	8%	26%	100%

Illustrative values

Average growth by customer tenure (0-4+ years) is summarized across customer sizes to illustrate retention value

Potential value for enterprise accts. based on prolonged tenure per customer size ($Ks)



For full projects, team creates in-depth breakdowns by employee count, revenue, etc. to understand retention across key customer dimensions

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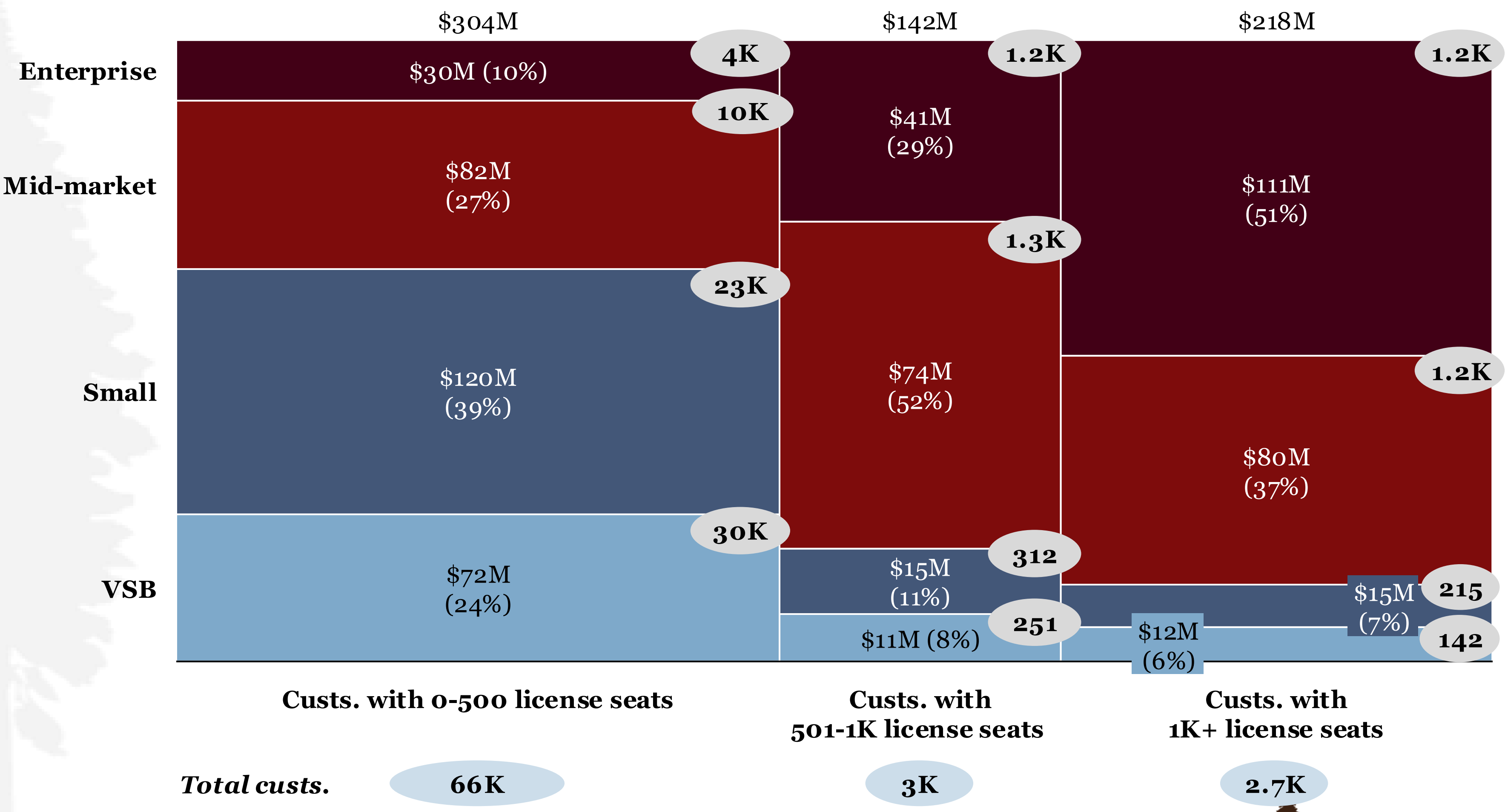
Illustrative values

ARR is mapped by license seats and company size to help identify high priority segments as focus areas for the churn reduction effort

Breakdown of ARR by license seats and company size *($Ms (% of total expected ARR))*



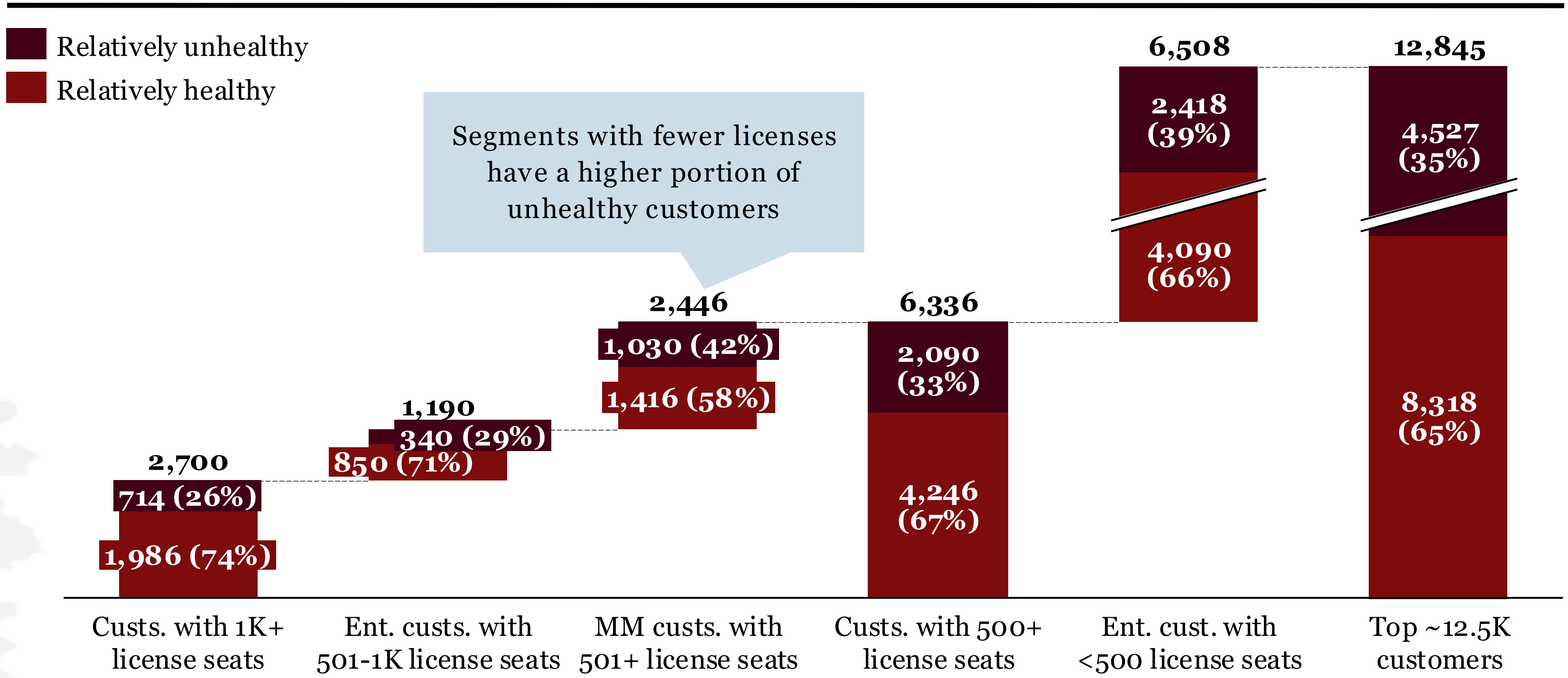
Team develops definitions for unhealthy vs. healthy customers across licenses and customers

Dimension	Relatively unhealthy	Relatively healthy
Licenses	• Licenses in which monthly users have fallen 25% or more in the last 3 months *OR* utilization is less than 33%	• Licenses in which monthly users have grown or fallen less than 25% in the last 3 months *AND* utilization is greater than 33%
Customer	• For a given customer, 33% or more of total monthly recurring revenue (MRR) is from unhealthy licenses	• For a given customer, 33% or less of total MRR is from 'unhealthy' licenses

To set definitions, team works with Analytics and Enablement leads to review available customer data and align on specific thresholds with top GTM leadership

Breakdown of healthy vs. unhealthy customers across segments

Top customers by category and relative health status *(# of customers and % by category)*



Segments with fewer licenses have a higher portion of unhealthy customers

Exp. ARR	$180M	$45M	$20M	$210M	$50M	$260M
Exp. gross ann. churn	$27M	$7M	$5M	$34M	$10M	$44M
Total # of license seats	5,500K	890K	340K	5,800K	860K	6,660K

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Key categories are defined to organize potential retention initiatives

High touch

Intervention

White glove intervention

Onboarding

High-value new account onboarding

Low touch

Team identifies top initiatives to drive customer retention and reduce churn, covering both high touch and low touch options

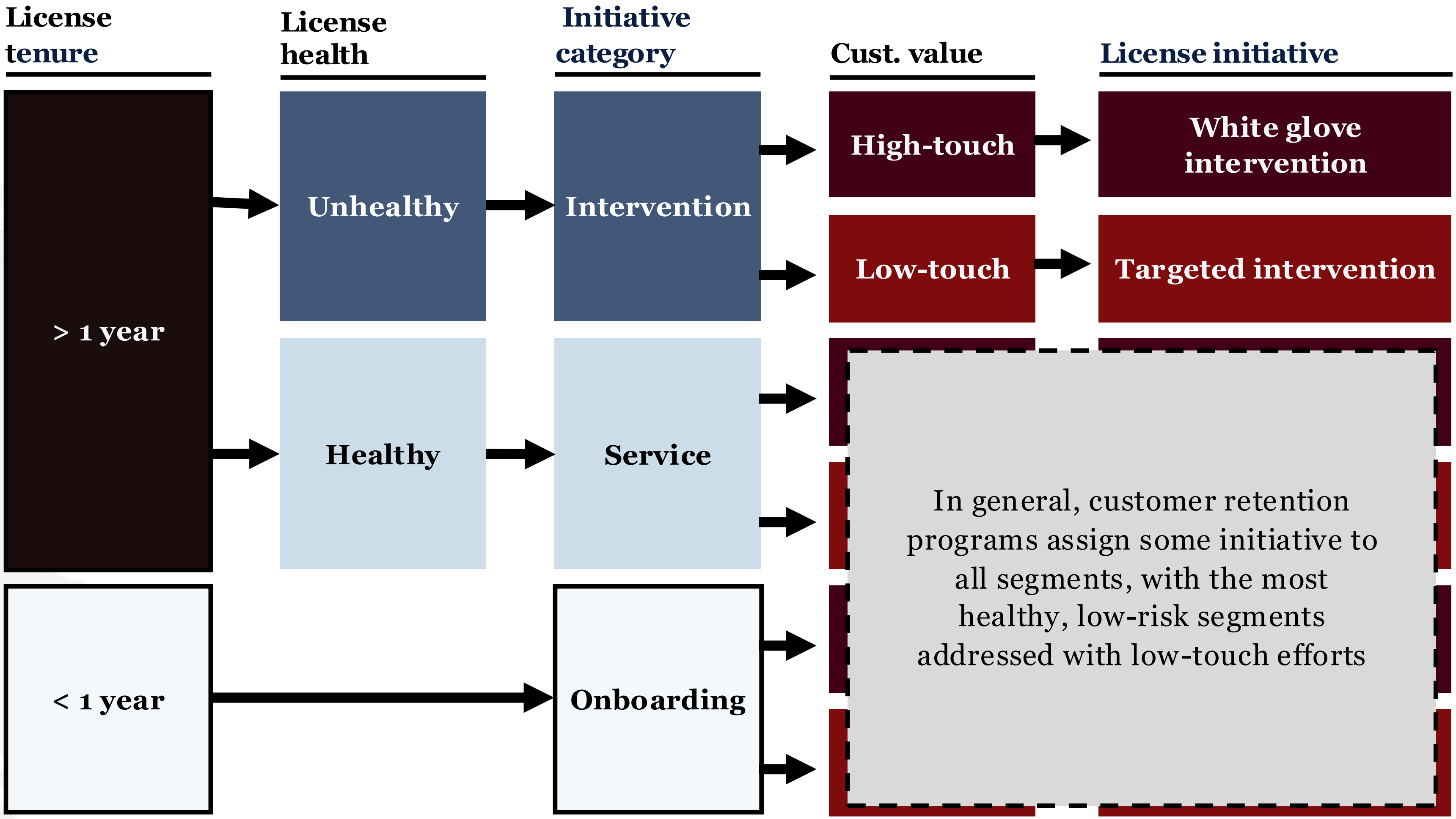
Team assesses each of the potential initiatives to prioritize top options for the customer retention program

🟫 High-touch
🟥 Low-touch

Initiative	Engagement model overview	Segment overview	Duration	Level of effort
White glove intervention	• Very high-touch engagement (e.g., in-depth kick-off call, monthly check-ins); weekly risk monitoring (e.g., track support conversations)	• Unhealthy, >10K employees	• 3-6 months	◕
Targeted intervention	• Mid-engagement driven by email outreach (offers for phone); weekly monitoring and ad-hoc engagement, dependent on status of risk resolution	• Unhealthy, <10K employees	• 3-6 months	◑

Initiative assessments are informed by analysis and interviews with team members to understand what segments the initiative would target, how long the initiative would need to last to unlock potential value, and overall level of effort of the initiative as a whole

A methodology is developed for mapping each customer segment to one of the top initiatives so all accounts are covered

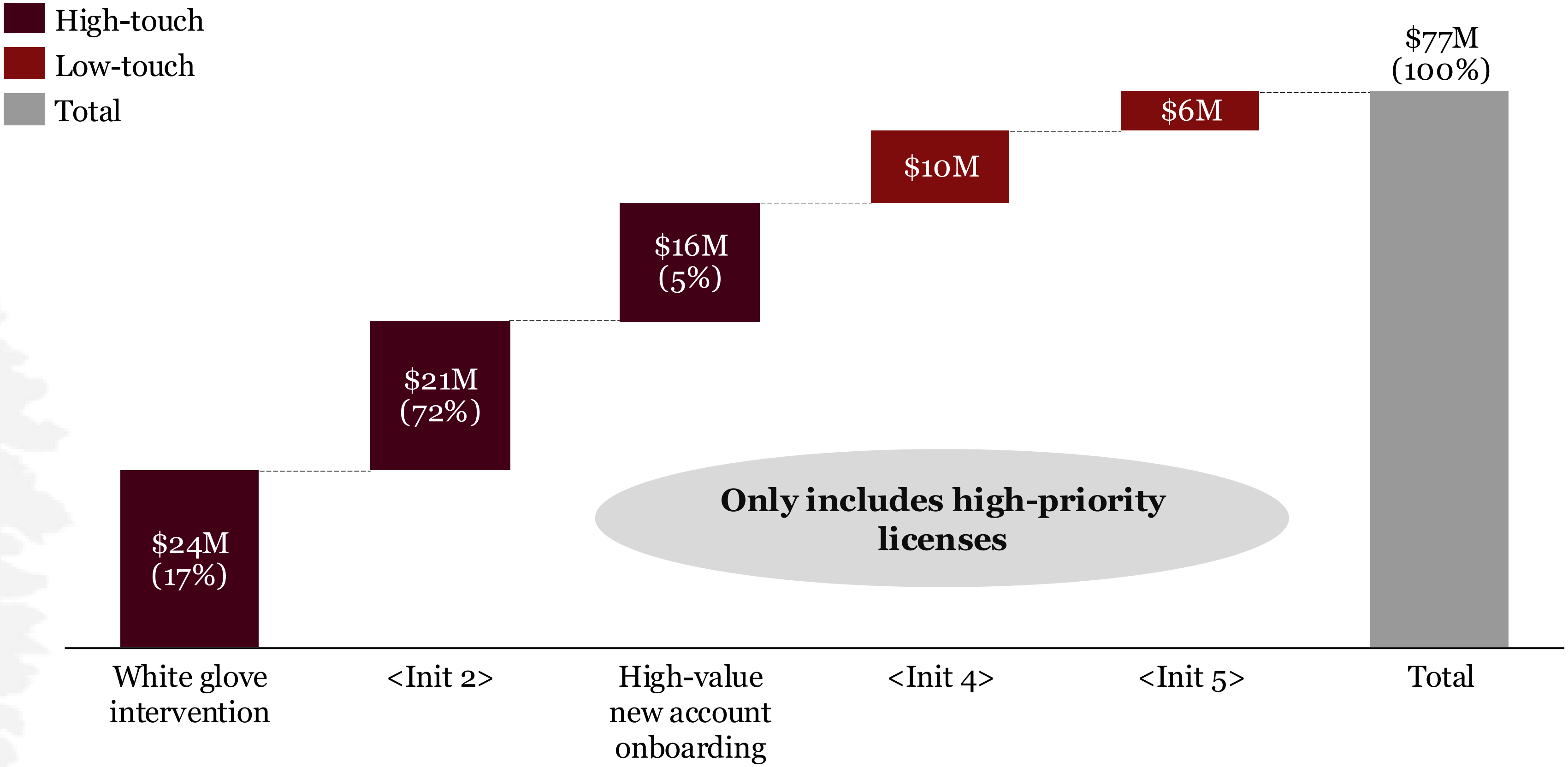


In general, customer retention programs assign some initiative to all segments, with the most healthy, low-risk segments addressed with low-touch efforts

Illustrative values

License ARR is distributed to each initiative based on the mapped customer segments

Distribution of license ARR for <segment 1> by license-level initiative *($Ms (% of total)*

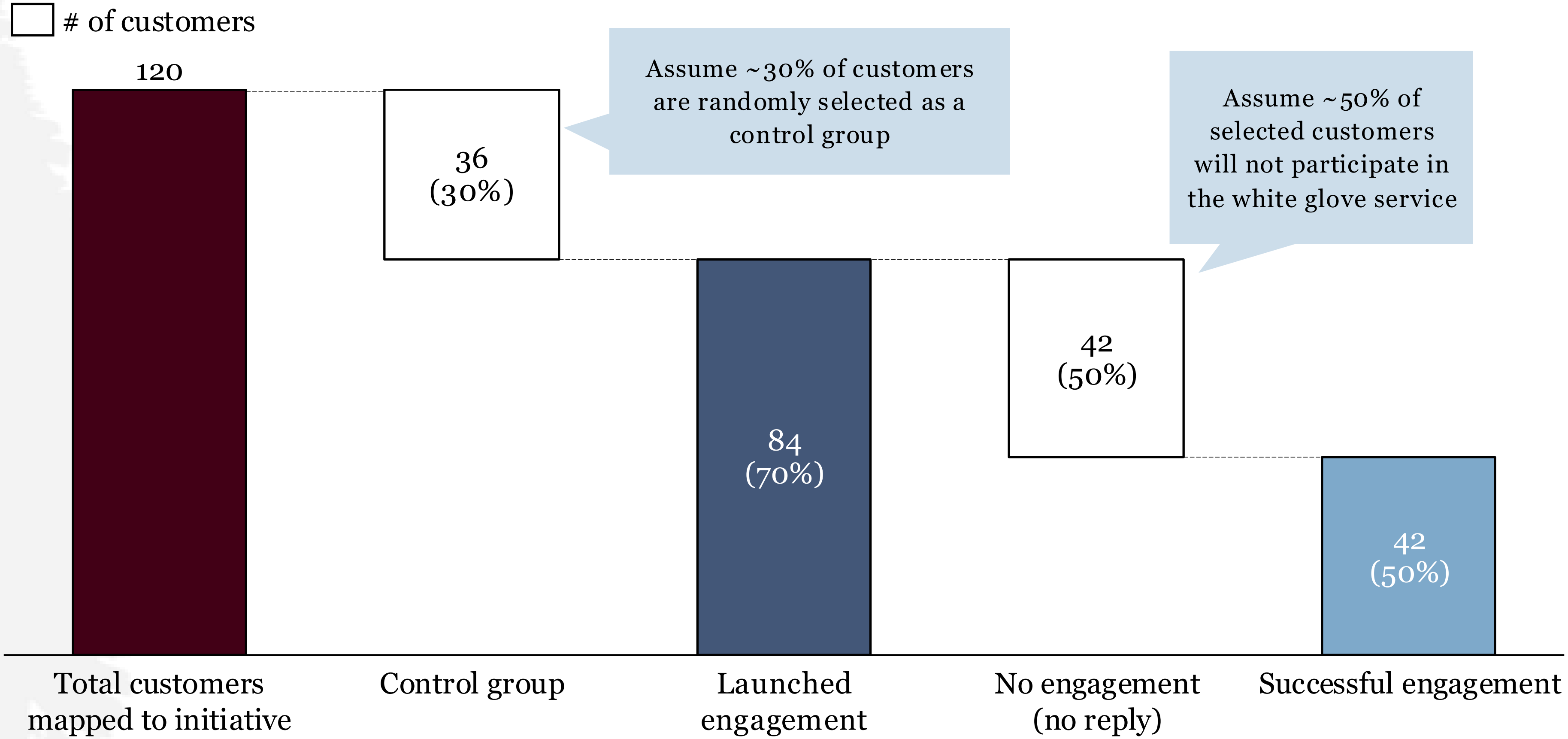


# of licenses:	1,268	1,139	826	540	337	4,110
% of licenses:	31%	28%	21%	13%	8%	100%

Illustrative values

Team estimates how many customers will be engaged by each initiative

Illustrative engagement funnel for white glove service *(# of customers)*



Assume ~30% of customers are randomly selected as a control group

Assume ~50% of selected customers will not participate in the white glove service

Team develops engagement deep-dives for each initiative to inform execution plans of each one

Agenda

Current-state assessment

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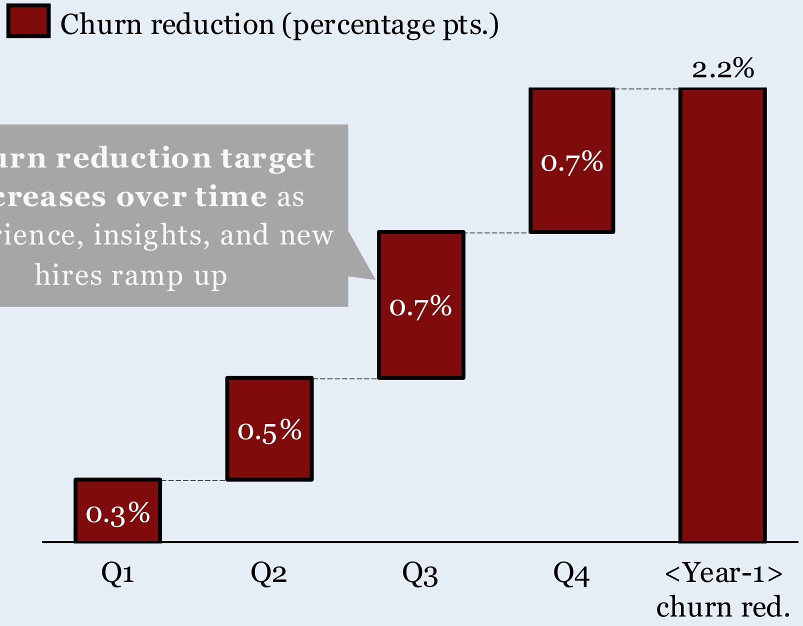
Illustrative values

Deep dive follows

Churn reduction targets are set by quarter ramping up to the target churn reduction run rate

Quarterly churn reduction targets *(Churn reduction percentage points)*

Targets for 1K+ license seats customers

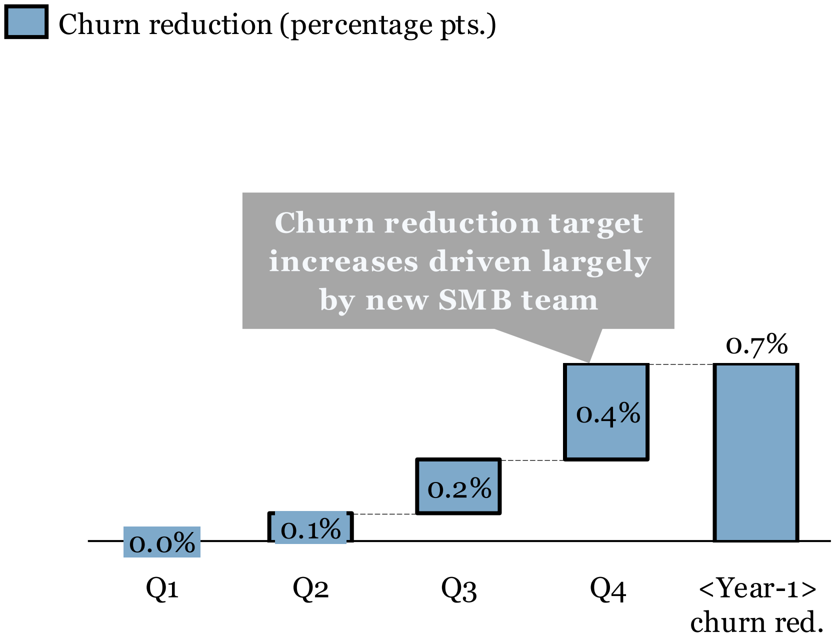


Churn reduction target increases over time as experience, insights, and new hires ramp up

Annualized Q4 results would be ~2.8% reduction for marginal $3.9M ARR

In-year churn	
In-year reduction	2.2%
Projected ARR	$139M
Est. annual churn red.	$3.1M

Targets for <1K license seats customers



Churn reduction target increases driven largely by new SMB team

Annualized Q4 results would be ~1.6% reduction for marginal $1.7M ARR

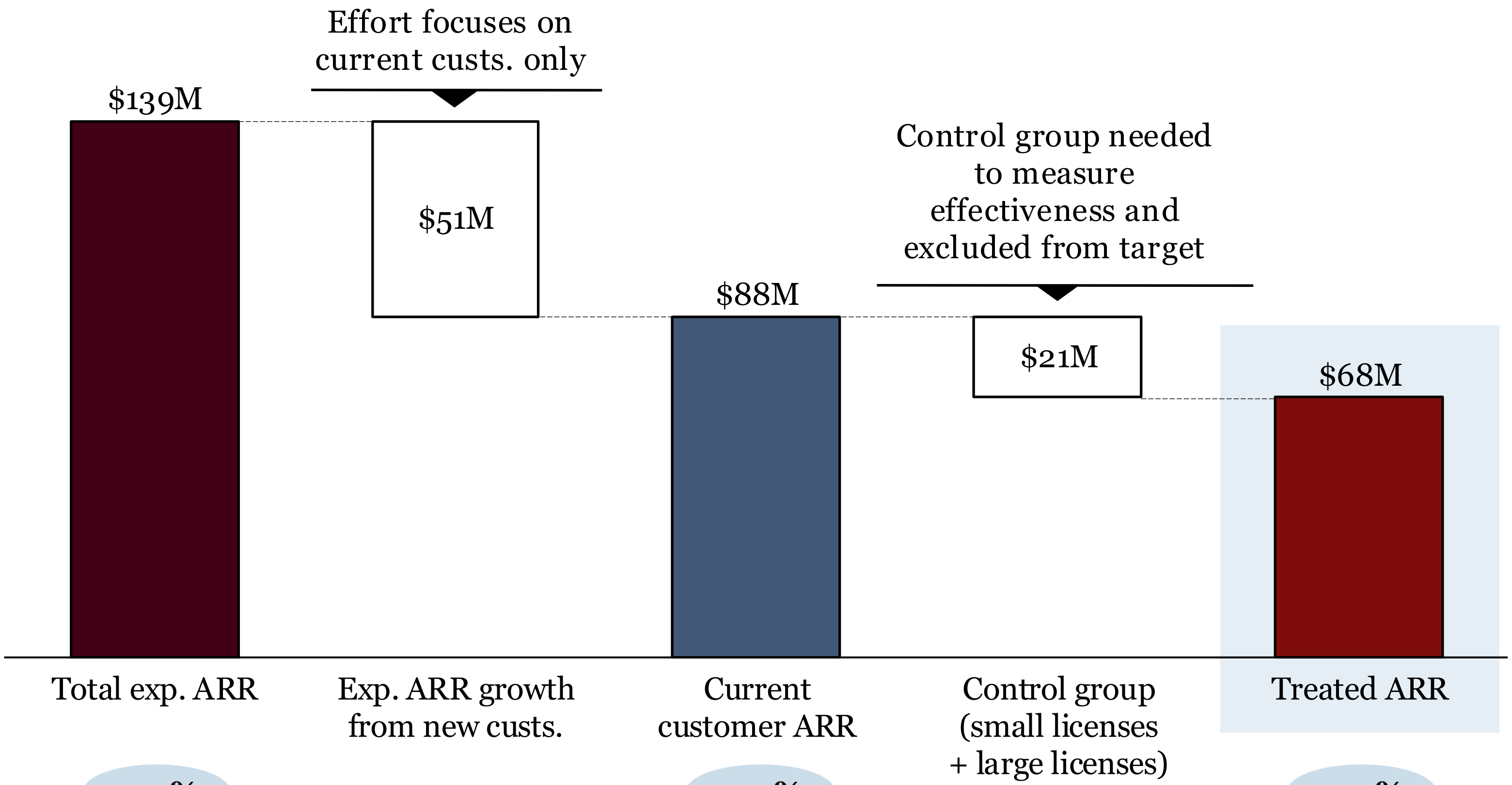
In-year churn	
In-year reduction	0.7%
Projected ARR	$108M
Est. annual churn red.	$800K

Illustrative values

▨ Deep dive follows

Target retained churn dollars are estimated based on quarterly goals and expected ARR

Treated ARR from expected Year 1 total ARR for 1K+ license seat customers ($Ms)



<Year-1> targets

	Total exp. ARR	Exp. ARR growth from new custs.	Current customer ARR	Control group (small licenses + large licenses)	Treated ARR
Churn reduction:	2.2%		2.2%		2.2%
Retained churn $:	$3.1M		$1.9M		$1.5M

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Illustrative values

Treated ARR was broken down into churn dollar targets across healthy and unhealthy customers

⬚ Deep dive follows

Table of target retained churn dollars by quarter then broken down by license health status

Key variables	Q1	Q2	Q3	Q4	Total
Treated ARR	$68M	$68M	$68M	$68M	$68M
x Quarterly churn red. rate target (pct. pts.)	0.3%	0.5%	0.7%	0.7%	2.2%
Retained churn dollars =	$200K	$340K	$480K	$480K	$1.5M
Healthy retained churn dollars (25% savings)	$50K	$85K	$120K	$120K	$375K
+ Unhealthy retained churn dollars (75% savings)	$150K	$255K	$360K	$360K	$1125K

Team assumed 25/75 savings split between healthy and unhealthy licenses

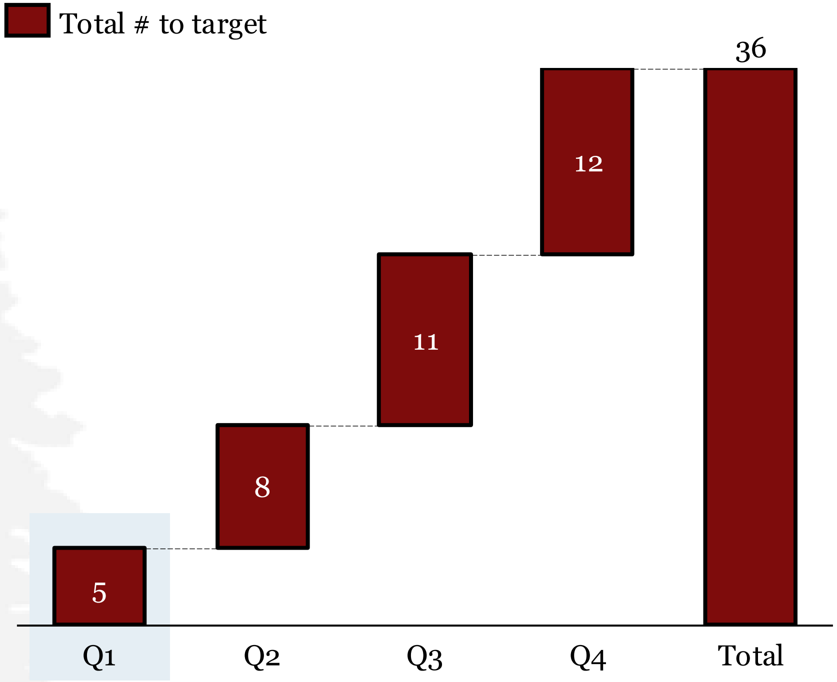
Illustrative values

▢ Deep dive follows

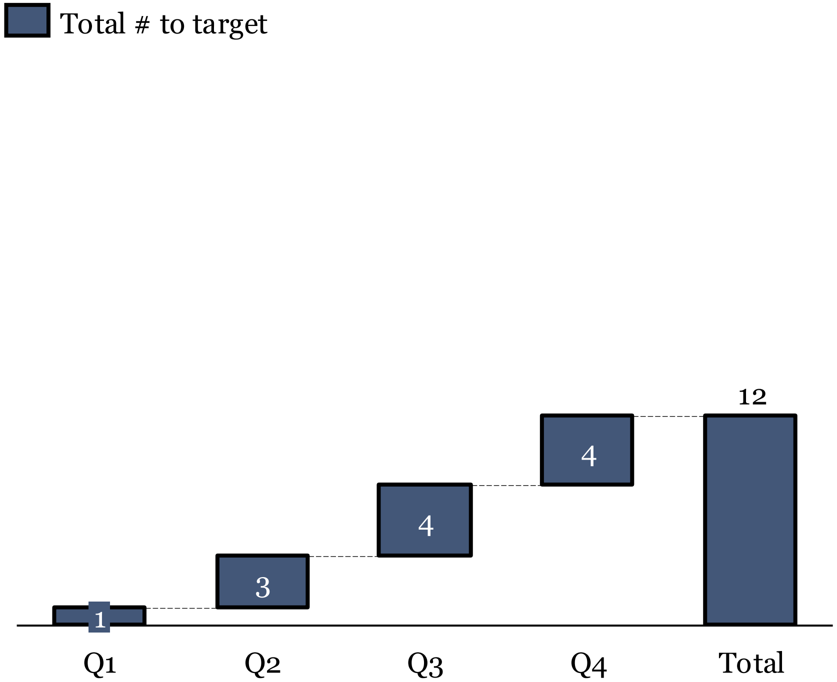
Retained churn dollars targets are converted into “saves” (custs. that would have churned without engagement)

Total number of licenses with 1K+ license seats to “save” per quarter *(# of licenses)*

Target for unhealthy licenses



Target for healthy licenses

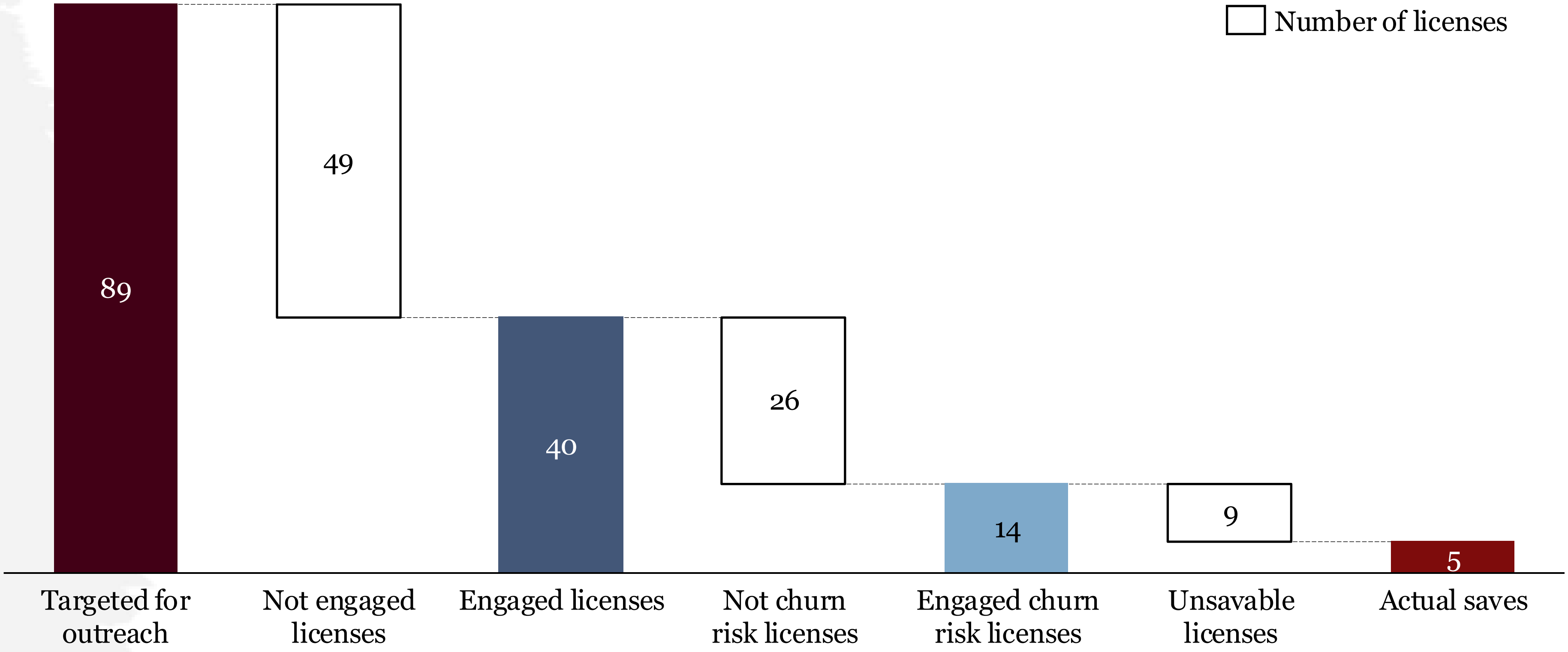


ARR to retain:	$150K	$255K	$360K	$360K	$1.1M	$50K	$85K	$120K	$120K	$375K
Avg. ARR / license:	$31K	$31K	$31K	$31K	$31K	$28K	$28K	$28K	$28K	$28K

Illustrative values

Based on a bottom-up analysis, team developed an estimate for customers to be targeted for outreach to secure needed "saves"

Number of unhealthy licenses in Q1 to target in order to hit retained ARR goal *(# of licenses (% of total))*

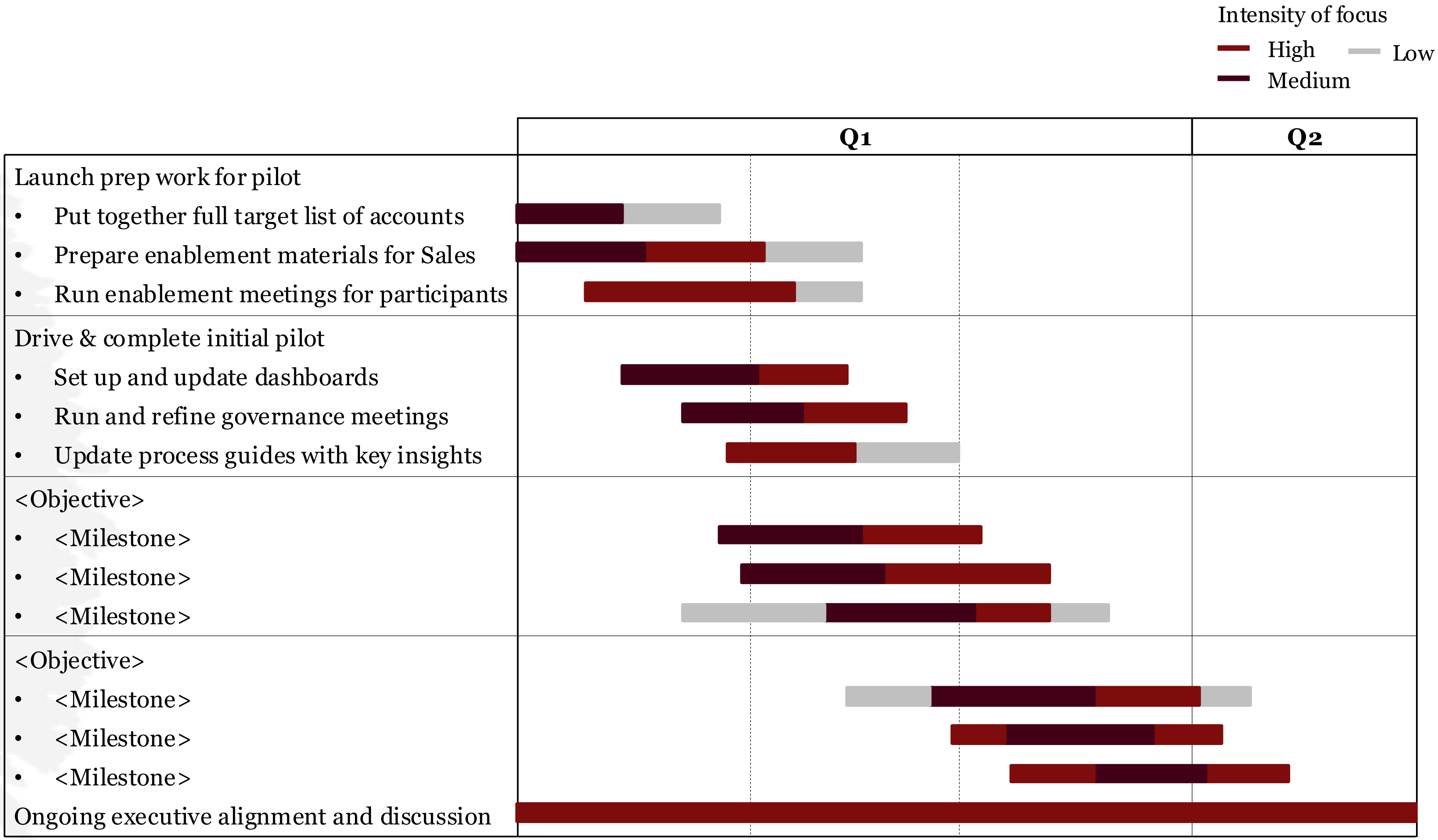


Assumes a ~45% engagement rate based on historical engagement rates

Expected ~35% churn rate for unhealthy licenses

Assume ~65% of unhealthy licenses at risk for churn not savable

A roadmap is developed for the overall customer retention effort and core initiatives



Launch prep work for pilot

- Put together full target list of accounts
- Prepare enablement materials for Sales
- Run enablement meetings for participants

Drive & complete initial pilot

- Set up and update dashboards
- Run and refine governance meetings
- Update process guides with key insights

<Objective>

- <Milestone>
- <Milestone>
- <Milestone>

<Objective>

- <Milestone>
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Ongoing executive alignment and discussion

Can we be helpful to you?

If we can be helpful, please reach out to John Nantz at:

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