

The Step-by-Step Guide to

# CALCULATING CUSTOMER HEALTH SCORES

The mention of customer health score is often returned with skeptical stares. But as the business scales and customer base grows, this metric becomes imperative. This handy guide will help you understand what it is, why you need it, and of course, the right way to measure it.



## 1 DEFINE IT

While there is no one-size-fits-all approach, the core idea is to award scores to customers based on different metrics (suitable to your product/company) to determine whether **customer accounts are healthy or at risk of churn/escalation.**

### DID YOU KNOW?

Not only are satisfied customers less likely to cancel a subscription, but also willing to add services or upgrade their existing packages.

## 2 BUILD USE CASE TO GET INTERNAL MEMBERS ABOARD

Individuals need to be clear about **why you are measuring** customer health scores in the first place. Here are 3 good answers to the whys.

Predict Customer Churn

Predict Upsell or Cross-sell Opportunities

Turn Customers Into Brand Ambassadors

### DID YOU KNOW?

A whopping 50% of customers naturally churn every 5 years. However, only 1 out of 26 unhappy customers complain; the rest simply leave.

## 3 LIST THE METRICS

Gather members from cross-functional teams **to help identify various metrics.** Here are some important ones you can use.

**Overall Usage of Your Product** – total number of minutes used

**Depth of Product Usage** – total number of features used/adopted

**Length of Time As a Customer** – from being a prospect till now

**Overall Customer Sentiment** – using surveys like NPS

**Technical Help Required** – number of support tickets raised

### TIP

Make sure that you measure customer health scores regularly. Defining a periodic workflow to measure & improve health scores is as important as the score itself.

## 4 WEIGH THE IMPORTANCE OF EACH METRIC

Once you have listed out different metrics, **weigh their importance.** Finally, narrow your list to 5-10 metrics and how you will measure them to build the required score.

### TIP

Gather insights from your customer success managers. They regularly interact with customers, hence will have a clear sense of which metrics are important.

## 5 MEASURE THE METRICS ON A SCALE OF 0-100 & COLOR CODE THEM

Measuring and color-coding for different ranges will help you **assign actions** to reduce customer churn.

Range	Labeling	Color Coding	Possible Future Actions
0-39	At-Risk		Offer discounts or free upgrades
40-79	Stable		Send surveys to learn more
80-100	Healthy		Direct sales teams to upsell or cross-sell

### TIP

Develop actions and focused strategies specific to your product(s) for each range to increase customer retention; your customers should feel their needs are being met.

### Sources

<https://www.mckinsey.de/~media/mckinsey/industries/public%20and%20social%20sector/our%20insights/cx%20compendium%202017/customer-experience-compendium-july-2017.pdf>

[https://www.huffpost.com/entry/50-important-customer-exp\\_b\\_8295772](https://www.huffpost.com/entry/50-important-customer-exp_b_8295772)