

Optimizing Customer Success Initiatives with Laser-Focused KPIs



01

Revenue Metrics

These metrics quantify the revenue contribution of customer success teams.



Renewal Rate

It measures the percentage of total revenue generated by customers who renew their subscriptions at the end of each period. It is an indicator of the value they derive. The higher the renewal rates, the better your products are meeting customer needs.

$$\text{Renewal Rate} = \frac{\text{Revenue from customer who renew}}{\text{Total customers up for renewal}} \times 100$$

Expansion Rate

It determines how effectively an organization upsells or cross-sells products and services from its portfolio. It is usually expressed as a percentage of a company's monthly recurring revenue that comes from the current customer base.

$$\text{Expansion Monthly Recurring Revenue (MRR) Rate} = \frac{\text{New revenue from upsells \& cross-sells in a given month}}{\text{Revenue generated at the end of the previous month}} \times 100$$

Account Retention Rate

It measures the number of accounts that are successfully retained over a given period of time. The higher the account retention rate, the happier is your customer base.

$$\text{Account Retention Rate} = \frac{\text{Total number of customers at the end of a given period} - \text{New customers acquired during that period}}{\text{Number of customers at the beginning of that period}} \times 100$$

02

Customer Churn Metrics

These metrics quantify the rate at which customers stop using a product or services.



Customer Churn Rate

Also known as attrition rate, customer churn rate quantifies the number of customers that stop doing business with an organization over a given period of time.

$$\text{Customer Churn Rate} = \frac{\text{Customers at the beginning of month} - \text{Customers at the end of month}}{\text{Customers at the beginning of month}} \times 100$$

MRR Churn Rate

An acronym for Monthly Recurring Revenue, MRR quantifies the total monthly revenue lost from canceled contracts.

$$\text{MRR Churn Rate} = \frac{(\text{MRR Beginning of Month} - \text{MRR End of Month})}{\text{MRR Beginning of Month}} \times 100$$

Net MRR Churn Rate

It quantifies the percentage of total monthly revenue lost from canceled contracts, modified by any additional revenue inflow from upgrades or service expansions from the existing clientele.

$$\text{Net MRR churn rate} = \frac{\text{Sum (Downgraded MRR + Canceled MRR - Expanded MRR)}}{\text{MRR at the Beginning of the Month}} \times 100$$

The Churn Conundrum

Customer and revenue churn are not always the same. Let's say there are 8500 (7000 basic + 1500 premium) customers at ABC Pvt. Ltd. Each basic customer pays \$300 a month whereas a premium customer pays \$1,200 a month. At one point, 350 basic and 150 premium customers opted out. Using the abovementioned formulae, the Customer Churn Rate would amount to 5.88%, whereas the MRR Churn Rate would be 7.31%.

03

Customer Satisfaction Metrics

These KPIs help you gauge how customers feel about your product and brand.



Customer Satisfaction Score

It estimates customers' happiness level with your products and services. Either conduct an end-of-interaction survey or track customer sentiment to gauge how satisfied a customer is with your business.

$$\text{CSAT Score} = \frac{\text{Number of positive responses}}{\text{Total responses}} \times 100$$

Net Promoter Score

NPS is the leading metric for quantifying customer satisfaction and loyalty. It takes the CSAT score a step further and helps you ascertain the number of customers who are likely to recommend your brand.

$$\text{NPS} = \frac{\text{Number of promoters} - \text{Number of detractors}}{\text{Number of respondents}}$$

Customer Health Score

It helps you to evaluate your customers based on different metrics (suitable to your company) to ascertain whether the accounts are healthy or at risk of churn.

$$\text{Customer Health Score} = \text{Total action value \#1} + \text{Total action value \#2} + \text{Total action value \#3} + \dots$$

Total action value #n = Action impact X Action occurrence in a specific period of time

04

Customer Onboarding Metrics

These metrics help you quantify product usage and adoption, thereby understanding how much value customers are receiving from your product.



Product Adoption Rate

It ascertains the number of customers who adopt your product and become regular users.

$$\text{Product Adoption Rate} = \frac{\text{New Active Customers}}{\text{New Customers}} \times 100$$

Product Stickiness

It quantifies the number of customers that are highly engaged or spending more time with the product on a daily basis.

$$\text{Product Stickiness} = \frac{\text{Daily Active Users}}{\text{Monthly/Weekly Active Users}} \times 100$$

Sources

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