



WHITE PAPER

Cracking the Code

**Discover the best KPI to
Enhance Customer Loyalty**

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The Covid-19 pandemic has been a real downer for most of us, but it's not all doom and gloom. One silver lining is that we've had more time to focus on important things like finishing that customer data study we've been putting off for months. And boy, was it worth it! We've discovered some fascinating insights into what KPI predicts customer loyalty best. So sit back, grab a cup of coffee, and let's dive into the world of customer success KPIs!

Our Customer Data Research: Unlocking Success through Insight

In today's competitive SaaS business landscape, understanding customer behaviour and optimizing customer success are paramount to achieving sustainable growth. After nearly two decades in the customer operations and success arena, we experienced an ongoing frustration that resonated with many of our clients. We observed the prevalent use of irrelevant key performance indicators (KPIs) and the tracking of inaccurate metrics for measuring customer success and predicting churn in a recurring revenue business model.

Driven by our commitment to providing actionable solutions, we embarked on a comprehensive research endeavour to

address this issue head-on. Our aim was to unravel the secrets behind reducing customer churn and enhancing customer success, empowering businesses to make informed decisions and prioritize their efforts effectively.

Our research focused on analysing real-world actions and data that proved instrumental in curbing customer churn and elevating customer success metrics. Through extensive data analysis and careful examination of industry best practices, we unearthed valuable insights that will help you navigate the complex terrain of customer success.

The Method to the Madness of our Research on Churn Risk Indicators

So, how did we go about this challenging endeavour? Our study encompassed a vast set of 263,000 companies operating within a subscription-based model, located in Northern America, the European Union, and the United Kingdom. The data collected spanned the period between 2011 and early 2022, comprising information from both our own startup companies and our esteemed clientele.

Ensuring utmost privacy and compliance, all data collected underwent a stringent anonymization process, ensuring no personally identifiable information (PII) was captured at any time. Our dataset consisted of 10 to 15 datapoints per company, contingent upon their availability and relevance.

The datapoints were categorized into three distinct types, each contributing vital insights to our research:

1. Customer Data (Market, size, tier, region, industry, start & end date)
2. Event/Transactional Data (Tickets, logo churn, usage, active users, ARR, GRR, up & cross-sell)
3. Relational Data (CSAT, CES, CIE, NPS, customer results/ROI)

To extract meaningful insights, we stratified the companies into cohorts based on the specific datapoints we aimed to analyse. Within each cohort, we examined the impact of customer success actions, such as onboarding activities, user adoption measures or training initiatives, on contract renewals and customer loyalty. By scrutinizing the correlation between the collected datapoints and customer loyalty metrics, we identified the most robust and reliable key performance indicators (KPIs).

Our methodological approach adhered to stringent statistical techniques, employing regression analyses and statistical modelling to uncover the intricate relationships between customer data and churn risk indicators. Through this comprehensive analysis, we not only shed light on the most influential KPIs but also quantified their impact on customer loyalty, thus providing tangible insights for businesses to bolster their customer success strategies and trying to answer the fundamental question: why do customers stay?



Results of the Statistical Customer Data Research

Now, what were the results of our research? The primary objective was to determine why customers stay, which metrics indicate churn risks, and what actions contribute to customer success and retention. We summarized our findings in a matrix that functions as a heatmap, with KPIs on the X-axis and customer success actions on the Y-axis. The size of the circles in the matrix represents the correlation between an action and the KPI, indicating its impact on customer retention.

Based on the analysis of our dataset of 263,000 companies, we derived **three main learnings**.

The first learning emphasizes that if you can choose only one KPI to predict customer loyalty, it should be client

usage. **Client usage** emerged as the most reliable indicator for customer retention. Following closely behind was **client ROI or client results**, although we had a smaller dataset available for analysis of client results. Consequently, while most companies track client usage effectively, they often fall short in monitoring client ROI or results, despite the latter being one of the leading customer success indicators.

Our second learning suggests that customer success teams should urgently start tracking commercial activities, if you are not yet doing so. By **monitoring commercial activities**, such as identifying upsell opportunities or logging customer success qualified leads (CSQLs), teams can achieve three critical objectives:

KPI – the results

		KPI									
		usage data #active users	onboarding & training participation	CES CIE	CSAT NPS	NRR (GRR)	ARR MRR	(C)LTV	Upsell & cross sell leads	Client result & ROI	#bugs #tickets
ACTION	Onboarding	●	●	●							●
	User adoption	●	●	●	●	●	●			●	●
	Customer journey	●	●	●	●	●	●	●	●	●	
	Commercial activities Drive revenue	●				●	●	●	●	●	
	Customer retention Churn risk	●	●	●		●	●	●	●	●	●
	Support & guidance Training	●	●	●							●
	Friction hunting Intuitive use	●		●	●	●				●	●

1. Numerous easily obtainable KPIs exist for tracking commercial activities making necessary monitoring fairly easy
2. These KPIs assist in proving the return on investment (ROI) and the contribution of the customer success team to the company's revenue
3. Customers who can be upsold or cross-sold tend to have longer retention periods

The third learning reveals that **Customer Satisfaction (CSAT)** or other satisfaction indicators like Net Promoter Score (NPS) are ineffective in predicting customer retention or churn. It is not merely a weak correlation; there is absolutely no

correlation between CSAT and customer retention. This finding does not diminish the importance of CSAT in other domains, as it can still serve valuable purposes in marketing or product development. However, our research found no statistical evidence supporting the notion that customers with high CSAT scores exhibit longer retention. We welcome further discussion or statistical findings that may contradict our results.

Do bear in mind, the matrix is a general ranking based on our research and not case-specific. If you need case-specific advice or want to know more about all other research findings, do not hesitate to reach out to us through info@customercross.com.

KPI – three learnings

		1		3	KPI						
		usage data #active users	onboarding & training participation	CES CIE	CSAT NPS	NRR (GRR)	ARR MRR	(C)LTV	Upsell & cross sell leads	Client result & ROI	#bugs #tickets
ACTION	Onboarding	●									
	User adoption	●●			●					●	
	Customer journey	●			●					●●	
	Commercial activities Drive revenue	●●				●●	●●	●●	●●	●	2
	Customer retention Churn risk	●●								●●	
	Support & guidance Training	●									
	Friction hunting Intuitive use	●			●●						

Five ways to effectively apply the results to your daily business

1. Define your best set of actions.

With limited resources and the need to do more with less, focus on one or two priority actions initially. You can add more actions later on, once you have the first ones in place. Keep the number of priorities manageable to not overwhelm your customer success team. If you require support in defining your best set of actions, do not hesitate to contact us. Our Customer Cross methodology is specifically designed for this purpose and can help you streamline your process.

2. Select the most relevant KPI. Once you have identified your priorities, choose the key performance indicator (KPI) that correlates best with those actions. Ensure that your KPIs have clear definitions and are widely accepted across your organization. Avoid discrepancies in the interpretation of retention or churn or whatever KPI.

3. Find the right balance between relational and transactional (or event) KPIs. Transactional KPIs are metrics like usage or annual recurring

revenue, whereas Relational KPIs are things like customer result or customer implementation effort (CIE). For obvious reasons, you should not use CSAT nor NPS.

4. Track the success of your actions.

Start monitoring and measuring the effectiveness of your chosen actions by tracking your KPIs. Remember, it is quality over quantity when it comes to data. Ensure that the data you collect are accurate and reliable. It is better to have a small set of high-quality data than a large volume of unreliable data.

5. Embrace adaptability. Understand that your best set of actions and the corresponding KPIs will evolve over time. They are influenced not only by the outcomes of your current actions but also by the changes in your organization, the updates of your product, and the evolving customer landscape. Review your priorities at least once, but preferably twice a year. Our Customer Cross methodology provides an easy-to-use framework for this iterative process.

Contact us to unlock the power of customer data



We understand that each business is unique, and therefore, we also offer tailored insights and recommendations to align with your specific objectives. Our research goes beyond providing a one-size-fits-all approach; it offers a customizable framework that allows you to track the metrics that truly matter, ensuring your efforts are yielding optimal results.

Together, we can unlock the power of customer data and equip you with the knowledge to make informed decisions, supercharge customer success, and propel your business towards unprecedented heights. Join us in revolutionizing the way you approach customer success, armed with the right insights and the confidence to excel. Contact us today to embark on this game-changing voyage of customer-centric success.

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CUSTOMER CROSS

List of acronyms

CES :	Customer Effort Score
CIE :	Customer Implementation Effort
(C)LTV :	(Customer) Lifetime Value
CSAT :	Customer Satisfaction (score)
GRR :	Gross Retention Rate
KPI :	Key Performance Indicator
MRR :	Monthly Recurring Revenue
NPS :	Net Promotor Score
NRR :	Net Retention Rate
ROI :	Return On Investment
SaaS :	Software as a Service

