

[TOOL]

# HOW TO PREDICT CUSTOMER RENEWALS



## Tool Overview

*How do you predict customer renewals today?*

This guide will help you launch your customer health dashboard and scorecard program using a scientifically sound approach that will help you reduce churn and increase LTV reliably. You'll also be better able to forecast renewals.

Contact us for complementary Session:  
[growth@growthmolecules.com](mailto:growth@growthmolecules.com)

## Background

As Global VP of Customer Success and Support at Mavenlink, Sabina Pons, now a Senior Consultant at Growth Molecules, had a challenge. Being an operationally excellent company, Mavenlink had customer health data and could easily make a health score but it didn't seem to reliably predict client renewal. While a scorecard can be used in many ways, an effective score should help predict renewal. As anyone who has created customer health scores and dashboards will tell you, it's easier said than done.

It took Sabina and team a few months to launch a prototype using Gainsight. It took a few quarters to get something very useful for day-to-day engagement with customers. It took over a year to make a customer scorecard that accurately predicts renewals each quarter.

This process below is based on the steps Sabina developed as she and the internal stakeholders iterated on designing and developing a customer scorecard that exceeded 87% accuracy in predicting renewals.



# 7 Steps to Launch Your Customer Health Dashboard

Anyone who's created an effective customer health score and supporting dashboard knows it's not a one-time project. In the best case, you create a useful score and it helps you achieve your renewal goals and reduce churn. Be prepared to iterate on improvements. Your reward will be the privilege of running the program evermore and getting even better results.

To make the journey more efficient, here are seven key steps to follow for success:

-  **1 Justify an Ongoing Program**  
*(in other words, show what the company will gain as a result)*
-  **2 Assemble the team**
-  **3 Design the dashboard**
-  **4 Build and test a prototype**
-  **5 Have CMS use the dashboard**
-  **6 Release the dashboard**
-  **7 Repeat steps 3-6**

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# Justify an Ongoing Program

As you work with different stakeholders, you'll need to explain why you want to work on creating a customer health dashboard and why they should help. An effective dashboard can pay for itself within a year by identifying and saving just a few accounts that would have churned. Given the incredibly reasonable prices for capable systems it's sometimes baffling to Customer Success (CS) leaders that funding can be challenging to secure. That said, we know we have to justify the investment financially and I've seen and used two very simple approaches to secure budget and resources: 1. Shame; 2. Cost benefit.

I don't recommend you start with the shame approach but it can work as a skillfully leveraged accent to a cost-benefit case. In the shame approach, you identify factually correct statements that when said out loud are quite alarming for any organization that believes it is smart, operational competent, and data-driven.

- ✓ We don't have any idea if a customer is healthy or not
- ✓ We have no idea what's important in determining if a customer is healthy or not
- ✓ How many good reviews will it take to counter the bad one?
- ✓ Do you think angry ex-customers really talk to other colleagues and share their bad experiences?
- ✓ A fortune teller or coin toss is as accurate as our own renewal prediction ability

## Note 1

Sabina was able to leverage the cost-benefit approach to great effect

Such statements inspire action when they are shared with a CEO, GM, CFO, COO, and especially a CS leader who owns renewal.

A more respected approach is a simple cost-benefit approach that takes the cost of the problem, churn, and the price to make progress on solving it. For example, if your company has \$5M ARR and your gross churn is at 15%, that's \$750K. If you say you want to reduce that by 5% (\$250K) and that you can do it for less than \$75K, you should be able to get support. You just need to be able to make reasonable statements about the other things you need, like people and agree to meet some basic rules, like meet infosec requirements and not derail other major projects.

## Note 2

Use our Change Management Cheat Sheet to help you prepare, identify allies, and create an effective strategy to drive the effort.



### Benefits include:

- ✓ Identify at risk customers
- ✓ Identify growth opportunities
- ✓ Create framework for understanding customer health
- ✓ Being data informed

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## Assemble The Team

When you begin to build the team, you may feel like Nick Fury recruiting the Avengers. You'll talk to very different would-be heroes and explain to them why they will be instrumental in helping protect the company from evil threats like Churn. It takes time but is a required step: no one can do everything needed to build a reliable health score alone in an ongoing manner.

Creating an effective customer health dashboard is a team sport and the season is perpetual. You'll make a better dashboard if you include key stakeholders from other groups that can provide expertise like Product Management, data science, and groups like Sales that can use the data.

### CORE MEMBERS



Here are three key roles that are helpful in the earliest program

- 1 **Technical expertise:** DevOps/Ops/IT
- 2 **Domain expertise:** Product Manager
- 3 **Analytics:** Data Scientist

A domain expert, like a Product Manager, can help you understand and interpret product usage to determine what is expected and what is exceptional.

You need someone who has access to the data you need, and can work with it to get it into a format your chosen solution uses, like making queries and configuring jobs to export data automatically as an CSV file nightly.

And if you can get someone with data analysis skills, like a Data Scientist, you're in good shape. In lieu of a proper analyst/data scientist a team member with reporting, pivot tables, and statistics experience can be a good substitute.

### STAKEHOLDER COMMITTEE MEMBERS



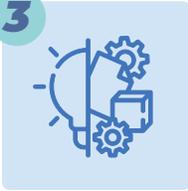
When your dashboard becomes more accurate and useful, you'll expand the program to include executives and stakeholders who can use the information.

Your program will do even better with a broad base of support that includes executives and supporting groups involved in an "steering committee" capacity.

**Key members of a stakeholder committee can include:**

- ✓ Executives of CS and Customer Experience
- ✓ Executives of Sales, Services, and Renewals
- ✓ Program Manager
- ✓ Key Marketing team members

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# Design the Dashboard

This is where many “customer health score” efforts start. It’s so exciting to design the dashboard. And most folks new to this kind of effort start with KPIs. It’s natural and understandable. Unfortunately, it’s not optimal. They miss an important step that you can start before you even select a technology partner.

## 📦 Picking Dimensions 1

Data dimensions for customers include customer name, products purchased, contract start and end dates. The least interesting but most important parts of a dashboard aren’t the KPI--it’s the dimensions, without which you can’t even make a dashboard. If you only take one lesson away from this guide, this should be it: start with assessing availability, completeness, and cleanliness of your dimension data as early as you can.

Long before you choose a technology vendor, start assessing the cleanliness of your customer dimension data. So many customer 360 projects get stalled because a company can’t accurately create a list of customers of any meaningful segment:

- ✓ Currently active
- ✓ Customers of a given product, tier
- ✓ Customers of a given ARR

## 🔍 Identify the Data Categories 2

Finally the fun part. Depending on the purpose of the dashboard, you can define the key concepts the dashboard should track to quantify the problem or opportunity. For example, if you want a dashboard to include adoption health, you’ll define KPIs that reflect weekly or monthly usage. Here are common data categories customer health dashboards use:

- ✓ User activation
- ✓ App adoption
- ✓ Value realization
- ✓ Customer feedback
- ✓ Communication health
- ✓ Champion development
- ✓ Financial status

*Tip: when defining your Data Categories, reflect on the customer journey mapping you’ve already done. A quality dashboard will align to the critical points along the customer journey as well as help you gain ongoing support of your dashboard across the organization.*

## 🏠 Pick the Widgets and Key Performance Indicators 3

An effective customer health dashboard has many widgets that provide a comprehensive view. While a “customer health score” may be the shining star of the dashboard, it provides a quick indicator for a Customer Success Manager (CSM). The supporting widgets provide detailed evidence that inform next steps. Typical widgets include:

- ✓ Summary customer health score in numeric and color coded
- ✓ Individual gauges indicating top facts that comprise the health score

***Designing a customer health dashboard deserves a book because it is critical, deep, and it is where most teams spend the most time. We’ll provide more guidance in a separate tool.***

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## Build And Test A Prototype

**You need to see a dashboard in action to really understand if it is working.** Looking at data in isolation doesn't help you understand if a CSM will find it useful. It's important to recognize the dashboard, each widget, and each data element (dimension or KPI) needs to be tested.

In this step, you may select a few CSMs to use the dashboard to identify and fix usability issues. It's of critical importance that you do not skip this step. Nothing kills a data project faster than bad data that destroys user confidence.

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## Have CSMs Use the Dashboard

**Before you release the dashboard and after you've done testing to confirm the data is correct,** have more CSMs actually use the dashboard for an extended period of time. Dashboard adoption relies on the actual users using it and finding value. CSMs should understand the importance of this critical step.

Have CSMs use the dashboard after you train them and get feedback. What works? What's easy to use? What's confusing?

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## Release the Dashboard

A dashboard is a software product and when it's ready to be used in production, as part of the CSMs toolkit, you should support an official launch. Users need to be notified, trained, and supported. Adoption is key. Pay close attention to initial usage and gather feedback.

### It's important to understand:

- ✓ Your first dashboard will provide CSMs evidence they can use immediately with customers to help them get value.
- ✓ Your second, or later versions of the dashboard can help CSMs and management customers at risk, or customers ready for expansion.

## FIELD NOTES

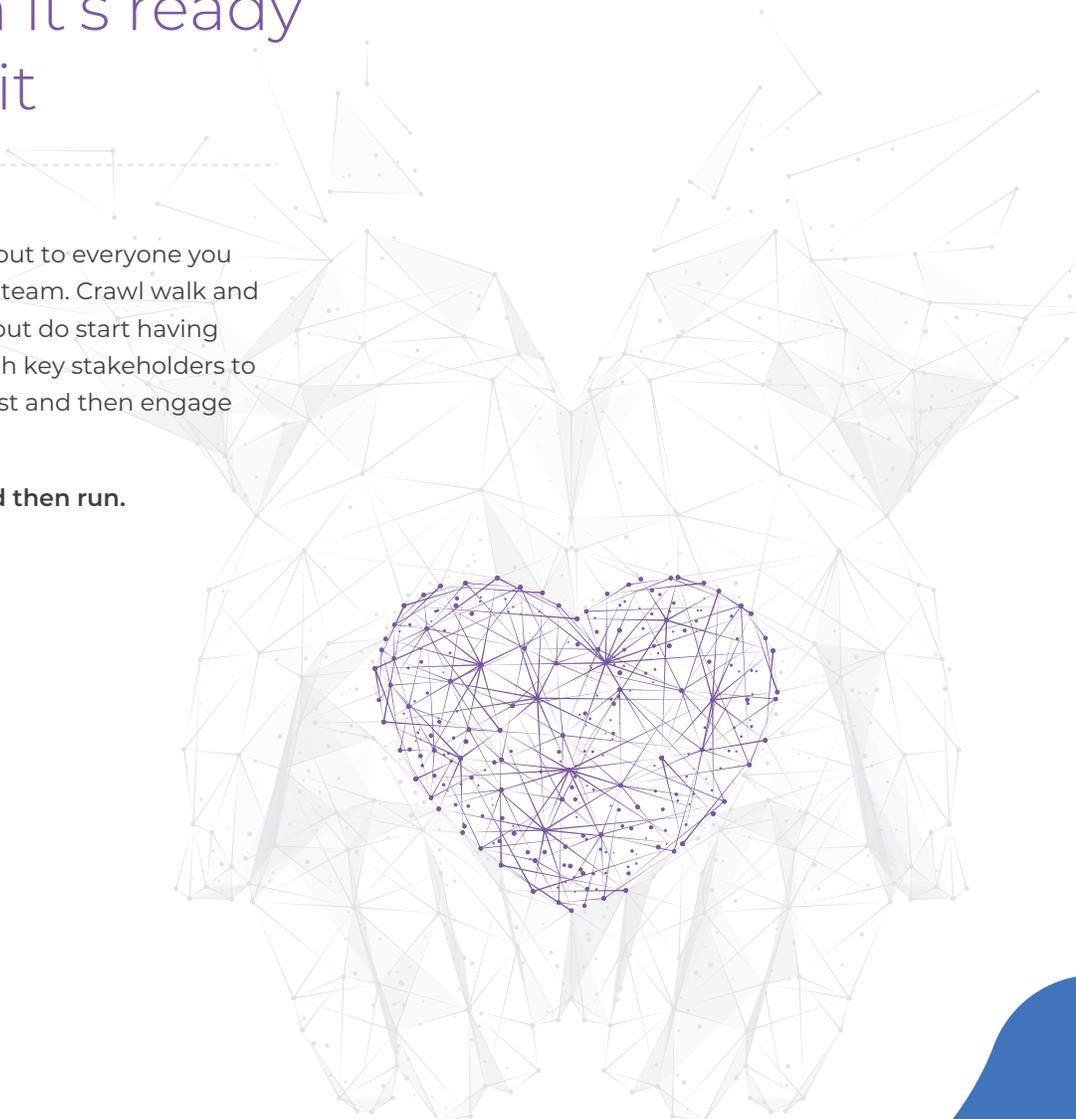
The following tips will save you money and heartache:

Understand that  
**data is never done.**

You'll continually refine data and KPI and when it's ready you'll use it

Don't immediately reach out to everyone you think could be part of the team. Crawl walk and run in building the team but do start having conversations early on with key stakeholders to gauge their level of interest and then engage accordingly.

**Crawl, walk, skip, jog, and then run.**





GOAL DIRECTED  
TRANSFORMATION  
IMPROVE  
CHOICE  
TAKE CONTROL  
SHIFT  
MEANINGFUL  
ACTION  
CHANGE  
TRANSITION  
HOPEFUL  
IMPROVE  
GOAL DIRECTED  
TRANSFORMATION  
HOPE  
ACTUALIZATION  
BETTER  
GROWING  
IMPROVEMENT  
ACCOMMODATION  
WE NEED CHANGE  
KNOWLEDGE  
EMPATHY  
FOCUS  
CONSTRUCTIVE  
TAKE TION  
CHANGE IS COMING  
SELF-EFFICACY  
EXPERIENCE  
POSITIVE CHANGE  
CONSTRUCTIVE RISKS  
ACCEPTAN  
POSITIVE  
MINDFULNESS  
GROWTH  
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AFFIRMATIVE  
HEALTH  
ACHIEVE  
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Contact us for complimentary session  
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