

The 10 Customer Success Metrics That Really Matter



All you need to develop a customer support system that creates, maintains and strengthens deeper customer relationships.



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Why You Need a Customer Success Plan

Many organizations judge the health of the business by the productivity of the customer support organization.

But the old customer success playbook is no longer enough to keep customers happy and coming back, and an entirely new school of thought is emerging.

This new approach is focused less on making the maximum amount of calls or closing as many tickets as possible, and more on developing, maintaining, and strengthening relationships with customers.

Companies that adopt this new focus are growing faster than their competitors and seeing greater success.

The eguide includes insights into the 10 customer success metrics that matter most and how you can measure them in your organization. Also included are real-world examples and templates.

We hope you find this information helpful. If you have any questions, feel free to reach me at 834-834-4910 or at inbound281.com.

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The 10 Customer Success Metrics That Actually Matter



Source credit: HubSpot.com. Clint Fontanella@cClontFont. <https://blog.hubspot.com/service/customer-success-metrics>

Many organizations judge the health of the business by the productivity of the customer support organization.

How many tickets are reps closing? How many emails are reps sending? How many product demos have reps booked? These metrics helped managers determine whether a rep was doing their job well or falling short.

[**>> Download Now: Customer Service Metrics Calculator \[Free Tool\]**](#)

But what if instead of activity-based reps, we had something totally different?

The old customer success playbook is no longer enough to keep customers happy and coming back, and an entirely **new school of thought** is emerging. It's one that's focused less on making the maximum amount of calls or closing as many tickets as possible, and more on developing, maintaining, and strengthening relationships with customers.

And this means that what is being measured is changing, too. Here are some customer success metrics that will matter more than ever — this year, and in years to come.

Customer Success Metrics

1. Customer Health Score
2. Net Promoter Score
3. Qualitative Customer Feedback
4. Customer Churn Rate
5. Monthly Recurring Revenue
6. Customer Lifetime Value
7. Customer Retention Cost
8. First Contact Resolution Rate
9. Customer Satisfaction Score
10. Renewal Rate

1. Customer Health Score

This might sound obvious, but hear us out: It's important to look at the big picture — beyond individual tickets and emails, are customers actually seeing value from your product or service?

How often is your customer using the product? How successful is your customer after they purchase your product? What type of impact does it have on their business? Has their pain point turned into a point of strength?

Customer support is no longer about getting someone to sign on the dotted line, setting up their new service, and answering their emails and calls. Instead, reps need to ensure that their customers are not only surviving, but thriving with their product. They must follow up with clients, offer assistance with problems, and help them proactively strategize for the future.

As Forrester's Kate Leggett points out in a blog post, customer success is what's behind [increasing existing revenue, and influencing new sales](#). One customer's success can prompt another person to try to your product or service in hopes of attaining a similar outcome ... but this virtuous cycle only kicks off if you actively promote and track customer success.

How to Calculate Customer Health Score

To [measure customer success](#), formulate a customer "health" score. What do the financials look like? How many customers do they have? Get a handle on their business' health as it pertains to your product, then monitor the metric over time.

You can also measure your customers' growth. After all, the best sign of business success is growth. Ask if the company is hiring, taking on more business, or improving customer retention rates for a qualitative idea of how successful a customer is becoming.

2. Net Promoter Score

Customer satisfaction is not only about the customer's feelings towards the support rep, but also about their feelings towards the brand and the product itself. When you evaluate customer satisfaction you're determining how content your customers are when they're interacting with your business. It should be no surprise that customers who are happier with their experience will be more likely to return to your business.

While customer satisfaction can be measured in a few different ways, one way to measure it is through Net Promoter Score. A Net Promoter Score, or [NPS®](#), simply asks whether someone is likely to recommend your company to someone else. The rep, and their relationship with the customer plays a major role in this rating.

The benefit of an NPS is that it provides both quantitative and qualitative data about your customers. Not only does it ask participants to rate their experience on a numeric scale, but it also asks them to provide an explanation for their score. That way, your business can analyze feedback based on the score, then examine the customer experiences if you come across abnormal or outlying results.

How to Measure Net Promoter Score

Measuring NPS is relatively easy. You just need access to a [form tool](#) that can generate a rating scale response.

Your form should only ask one question, "On a scale of 1 to 10, how likely are you to recommend this product or service?" Then, add a comments section below it and ask participants to explain their score.

At the end, your form should look something like this.

Two Step In-App NPS Survey

How likely are you to recommend this product to a friend or colleague?

Not at all likely 0 1 2 3 4 5 6 7 8 9 10 Extremely likely

Thank you for your response.

Not at all likely 0 1 2 3 4 5 6 7 8 9 10 Extremely likely

Help us by explaining your score...

SEND

3. Qualitative Customer Feedback

Another important thing to measure is your customers' feedback. What are they saying about you and the service you provide? What do they like about their connection to the company, and what do they not like?

Customers need to feel that they have a voice. Offering them a chance to give feedback and provide insights is a great way to build a long-lasting and meaningful relationship.

[Customer success managers](#) can determine from qualitative feedback — like survey or questionnaire responses — how well their reps are working with clients. It might be unpleasant to hear where your on-boarding or customer service process is failing, but getting the chance to right a wrong before a customer jumps ship is invaluable.

How to Calculate Qualitative Customer Feedback

The simplest way to collect customer feedback is to send out a survey. Pose a few questions to your [customer base](#) and determine how they feel about your customer support reps.

You could also hold a "customer day." Invite some folks to your office or headquarters for lunch or a meeting, and talk to them one-on-one. Note their facial expressions and body language when they reflect on the service they receive and how they would improve their experience.

Remember: Customer feedback shouldn't be solely about the product — it should also cover how clients feel about the company as a whole.

4. Customer Churn Rate

Customer churn is a great metric to measure, especially on a rep-to-rep basis. A customer support rep who maintains a healthy relationship with each of their clients is likely to have a lower churn or cancellation rate. Again, customer support is about relationships, and building rapport makes a huge difference.

How to Calculate Customer Churn Rate

To calculate churn rate, you'll need to first determine the timeframe that you'll consider when measuring your data. This can be a week, month, quarter, year, etc. Then determine how many existing customers there were at the start of this time period as well as the number of customers that churned during the same timeframe. Finally, divide the number of churned customers by the total number of existing customers to find your churn rate.

For example, let's say we wanted to measure the monthly churn rate for my business. At the start of May I had 1K customers, but by the end of the month 64 customers churned. In this case, my churn rate for May would be 6.4% ($64/1000=.064=6.4\%$).

When measuring churn rate, remember to exclude the new customers that you acquired during the month from your existing total. These customers will count towards your existing customer total during the next assessment that you perform.

Additionally, be sure to include any new customers who did churn during the time period with your overall churn total. Since the churn for these customers occurred during the assessment period, you should include them when measuring for churn rate.

5. Monthly Recurring Revenue

Monthly recurring revenue, or **MRR**, is a great metric to use to determine how much your number of customers — or their spending — have grown since working with your business. This metric outlines the amount of money that your customers are spending on your products and services for each given month. You can compare this value over time to determine whether your customers are succeeding with your products or not. This is particularly helpful for **SaaS** businesses who operate on a subscription model.

One additional MRR metric that can be calculated is your expansion MRR. [Expansion MRR](#) shows you how much additional revenue you're generating from customers outside of their monthly subscriptions. This can give you a good idea of how effective your upgrades and [customer loyalty programs](#) are.

How to Calculate Monthly Recurring Revenue

To calculate monthly recurring revenue, you just need to multiply your total number of active customers by your average revenue per user. This should give you an idea of how much money you're generating each month.

To calculate expansion MRR, you'll need to add up all revenue that was generated from non-recurring purchases. This would be things like [upsells and cross-sells](#), loyalty programs, and add-on purchases that are made by customers on a one-off basis.

By adding these values together, you see how much your customers are actually spending on your premium offers. If you're doing well, then you know that customers are not only enjoying your product or service but are thriving because of it.

6. Customer Lifetime Value

[Customer lifetime value](#) (CLV) is one of the most fundamental customer success metrics that you can measure for your business. It shows you the total revenue that you can expect a single customer to generate over the course of their relationship with your company.

Businesses can use CLV to determine the value of their customers over time. If their value increases, then your company knows that your products and services are contributing to your customers' success. If it's decreasing, then your business may need to re-evaluate its offers and look for flaws in the customer experience.

How to Calculate Customer Lifetime Value

CLV takes a customer's revenue value and compares that number to the customer's predicted lifespan. You can calculate CLV by multiplying your average purchase value by your average purchase frequency rate. Then take that value and multiply it by your average customer lifespan. This should leave you with the estimated amount of revenue that one customer will spend at your business.

For example, let's say my customers spend an average of \$50 every time they shop at my store. My customers also visit my store about 3 times every month. Additionally, my average customer lifespan is typically two years before they stop purchasing from my stores. From this we can determine that my CLV is \$3.6K ($\$50 \times 3 \text{ visits} \times 24 \text{ months} = \$3,600$)

7. Customer Retention Cost

While it's great to know that your customers are succeeding with your brand, how can you prove that your customer success efforts are cost-effective? Customer retention cost, or CRC, outlines the total cost of your customer success program and compares it to your total amount of customers. This shows you how much money you are spending on each customer to retain them.

CRC helps businesses invest in their customer success programs. While you may be excited to roll out new initiatives, you want to make sure that you're spending your money in a cost-effective way. By measuring CRC, your business can make smart investment calls by comparing the potential cost of retaining customers versus the potential revenue you'll generate from a new feature or service.

How to Calculate Customer Retention Cost

To calculate CRC, you'll need to audit the expenses all of your customer success efforts. This includes expenses spent on payroll for your customer success and service teams, engagement and adoption programs, professional services and training, and customer marketing. Once you add all of these expenses up into one sum, you can divide that value by your total number of customers to get your average customer retention cost.

8. First Contact Resolution Rate

One of the most common [customer needs](#) is time. Customers want their problems resolved quickly, so they can get back to pursuing their goals. If they're constantly waiting for your support team, this adds a great deal of friction to the customer experience.

With this in mind, it's important to measure your first contact resolution rate. This is the percentage of customer service cases that are resolved within the first interaction.

If this number is high, that means your team is not only responding to customers but addressing their needs in promptly as well. And this is important, too, as [research](#) shows that 67% of churn can be avoided if the service inquiry is resolved during the first interaction.

How to Measure First Contact Resolution Rate

To calculate first contact resolution rate, you'll need to divide the number of service tickets that are closed after the first interaction by the total number of service cases your team received.

To do this, you'll need customer service tools to help you keep track of your incoming cases. For example, a [ticketing system](#) can set up digital records of your cases that are easily categorized and stored. And, a [help desk](#) can provide the reporting tools you need to calculate first contact resolution rate without having to manually crunch the numbers.

9. Customer Satisfaction Score

Customer satisfaction score, or CSAT, is similar to NPS, but varies in one major way. Instead of asking participants to rate their likelihood of referring the brand, CSAT asks them to simply rate their experience with the company. This gives businesses a snapshot idea of how customers feel after completing an interaction with the support or success team.

How to Measure Customer Satisfaction Score

Like NPS, customer satisfaction score requires a survey to measure it. But, you'll need to trigger this survey after a customer interaction, so you can get the most accurate response from your participant. Remember, this metric should analyze the customer's immediate reaction to an individual experience, not their overall perception of your brand.

Once you have your form set up, you can calculate CSAT by dividing the number of positive scores (scores six to 10) by the total number of scores you captured. Then, if you multiply your result by 100, you'll have the percentage of customers who are happy with their brand experience.

For example, if we received 50 responses and 40 of them were positive, then our CSAT would be 80% ($40/50 = .80 \times 100 = 80\%$).

10. Renewal Rate

If you're a [SaaS](#) business, this may be one of your most important metrics. After all, most SaaS businesses operate on a subscription model, so it's no wonder that customer success would be determined by the number of people who keep signing up and using your product.

If your renewal rate is high, this means that your team or product is succeeding in driving customer success. So much so, that customers are willing to commit to your business for another year/contract so they can continue gaining benefits from your company. If your renewal rate is low, this is an excellent indicator that customers aren't succeeding when using your product. This presents an opportunity for you to invest in customer success programs as well as product development, to create a more delightful, long-term experience for your users.

How to Measure Renewal Rate

Renewal rate can be calculated by dividing the number of customers who renewed their subscription by the number of users who were up for renewal. Then, multiply your result by 100 to determine your renewal rate.

If you're not a SaaS company, you can look at product expiration dates. Use your [CRM](#) to see when a customer bought a product, then set a reminder to review the customer's account when their product should be replaced. If they purchased from you again, you know they "renewed" with your business.

Instead of making calls for the sake of making calls, customer support reps are instead turning their attention to relationships and what happens after they make a sale. The metrics that matter have shifted, and the customer success organization is adjusting accordingly. These metrics are worth watching as you help your customer success team ramp up.

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FREE RESOURCE

The Customer Service Metrics Calculator

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