Turbocharging growth by taking retention analytics to the next level

New ideas for increasing revenue and customer retention for SaaS businesses

During economic uncertainty, SaaS companies need to adopt new tactics to stay ahead. Companies can turbocharge their growth and enhance their existing customer base by accurately predicting customer churn and implementing more timely and more focused retention strategies.

The benefits of focusing on customer retention are multifold. Existing customers readily adopt new products, generate more revenue, and reduce sales costs. This approach is especially advantageous for SaaS companies, as it translates into significant potential for increased revenue and operating income. Traditional customer success measures often fall short, leading to late discovery of churn risks. To counter this, businesses are recognizing the value of actionable retention insights that offer opportunities to change future customer behavior.

New retention analytics techniques drive actions leading to a significant and compounding increase in revenue and operating income. With the right data, technology, and processes, companies can maximize their existing customer base.

Existing customers are critical to growth

A SaaS company's existing customer base is typically the engine that drives growth. As industry participants well know, compared to acquiring new customers, existing customers offer key advantages in revenue and profitability:

Stronger adoption of new products

Existing customers are 50% more likely to try new products—contributing an outsized share of the success of product launch campaigns and enabling more investment in innovation.[1]

More revenue per account

Current clients spend an average of 31% more than new customers, meaning a retained account will typically drive more revenue than a new sale.[1]

Lower cost per sale

On average, it can cost four to five times more to acquire a new customer than expand an existing relationship.[1]

Time to profitability

Most SaaS companies see a multi-year pay back period with their new customers, meaning chasing after new logos may not result in a profit for years after securing a first contact.[2]

Customer retention is key to growth. For a mature company, a 2-3% increase in retention rates can lead to a double-digit increase in revenue and operating income in just a few years. Researchers have observed the same effect: companies that improved retention by 5% saw a 25%-95% jump in their profitability. So, retention is key for any company looking to take its performance to the next level.

[1] Source: BizJournals Web Site, "Customer Retention Is Your Most Powerful Competitive Advantage," (Accessed April, 2024)

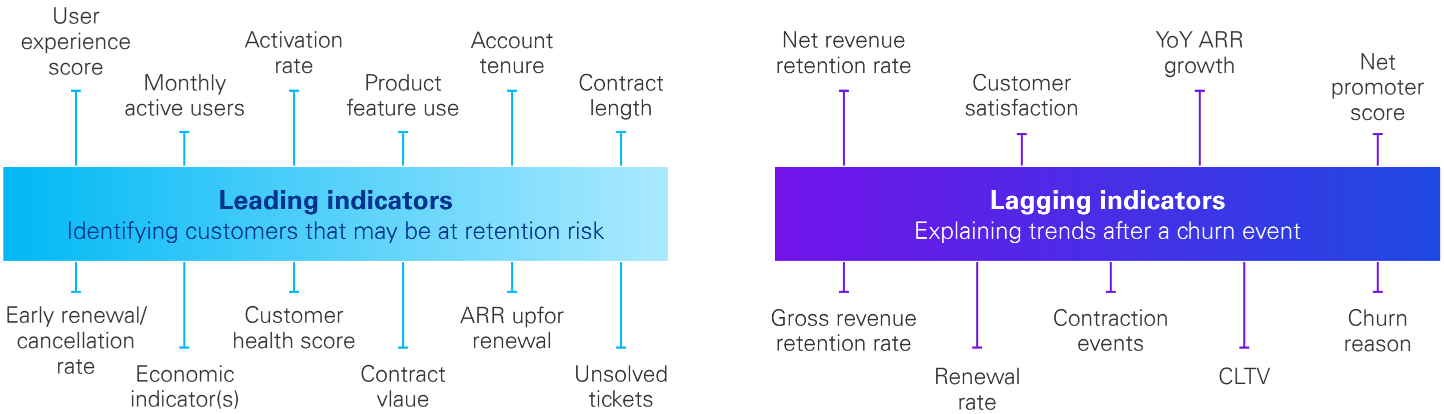
[2] Source: The SaaS Marketing Blog, "SaaS Payback Periods: The Ignored Metric Your Company Needs to Measure to Maximize Your Marketing," Mike Smith (November 2020)

Traditional customer success indicators are not sufficient to maximize retention

Customer success surveys often cite reactive processes and lack of visibility into customer adoption and health as key challenges in their operations. Renewals teams often become aware of churn risk late in the customer lifecycle, which leaves them with few non-price levers to save a customer. This reliance on lagging indicators often provides a more concrete indication that a customer is leaving (or has already left) but, by the time the data is captured, it can often be too late to save the customer.

That's why companies are now investing in understanding leading indicators to provide forward-looking visibility of what repeat business might be possible (see Figure 1). These are what they increasingly build into their business processes and work to address at the customer or prospect level, based on what they know will be most impactful for a given customer.

Figure 1. Measures of customer health



Retention analytics leveraging machine learning can make the difference

These traditional customer measures are certainly valuable in determining if a problem exists, but they can often be "too little, too late." That's why SaaS companies use predictive analytics to make the difference. By combining massive internal data with other external data sets, machine learning allows companies to uncover hidden signals in the data that humans miss, enabling teams to better predict likely churners and downgraders.

Models can be developed that get to the root causes of why customers leave—allowing companies to predict likely churners and downgraders well in advance. This gives customer success managers more time to take proactive steps to change the outcome and direct more resources and efforts to the right accounts (see Figure 2).

Figure 2. Benefits of retention analytics

Traditional approaches	Machine learning approach	Benefits of machine learning approach
Intuition-driven, with selective grounding in data	Fully data-driven	Identifies fact-based insights a human would not think to look for
Identifies simple relationships in small data	Identifies complex multivariate relationships in large data sets	Scans a much larger universe of potential signals to identify those that are truly predictive
Straight-line predictions assume all else is equal	Determines effect of individual attributes empirically and dynamically	Creates more accurate predictive models
"One time" exercise that is difficult to update	Easy to update based on feedback loops of new observations	Becomes "self-optimizing" as additional information is continuously made available

Taking retention analytics to the next level

Many SaaS companies are well on their way in the retention analytics journey, and they want to further build on their predictive models and retention dashboards. These are a few areas where some leading companies are investing and others can benefit:

1. Injecting more external signals to enhance the core analytical model

Most retention models use a relatively limited, stable set of external data—like company firmographic information—as one input to retention drivers and predictions.

Amidst a changing macroeconomic environment, one area where leading companies are investing is leveraging a wealth of other, more timely external signals to supplement retention predictions. These signals, particularly those related to the overall economic health of the customer, can be crucial to understanding whether they are under economic pressure and may churn as a result.

These signals can include things like stock price, availability and cost of production inputs, sector performance, keywords surfaced in literature scans, competitive performance, and more.

2. Unlocking the power of the customer "Retention Fingerprint"

Frequently, companies will have an idea of what customers are at risk. However, because their retention predictions aren't highly explainable and haven't been tuned for actionability, Customer Success team members won't know which path of action is likely to have the best results.

Providing a "Retention Fingerprint" that decomposes the drivers of any given customer's retention prediction helps a Customer Success team better understand what's driving a lower retention prediction for a customer and provide directive guidance around what to do about it. For small customers, these fingerprints can trigger "just-in-time" digital plays. For larger customers, this visibility can be a core input for teams looking to prioritize and deploy a series of proactive, customer health motions.

3. A new way to quantify the value

Finally, leading retention modeling also helps teams understand what impact an initiative is likely to have in increasing retention and growing CLTV for their customer base.

New models can make predictions about the ARR or CLTV impact of successfully implementing a certain intervention with a customer, helping Customer Success team members prioritize their work, both individually and in aggregate.

Separately, this helps executive teams understand at a more granular level the retention value that Customer Success organizations provide, helping them to make better decisions about Customer Success budgeting, resource allocation, and investment cases.

Generative AI (GenAI): a potential force-multiplier?

Ever since OpenAI released ChatGPT to the public the Fall of 2024, GenAI has captured the imagination of consumers and business users alike. With its power to create, search and synthesize structured and unstructured data, and its ability to simulate human-like interaction, GenAI has begun to prove itself as a valuable tool for Customer Success organizations.

Leading Customer Success teams have started to experiment with and embrace GenAI to augment knowledge tasks otherwise performed by CS reps, renewal reps, etc., for example:

- Augment retention analytics by incorporating and synthesizing customer interaction notes and call transcripts to create a more complete picture of the customer
- Improve CS agent effectiveness with interactive "co-pilots" to provide recommended retention plays and talk scripts for CS agents
- Accelerate ramp up time for new CS agents with the same "co-pilots"
- Embed GenAI capabilities into products to enhance adoption and drive consumption…and more

Investing in retention analytics with KPMG

In just a few weeks, KPMG can refine your retention analytics models, and work with you to help turn that insight into action with predictable bottom-line benefits

Step 1 — Retention baseline (Week 1)

- Identify the data sources to use based on your knowledge and our prior experience; provide access and agree transfer approach
- Collect and cleanse data from multiple internal/external sources and create initial data cube(s)
- Map recurring revenue model and churn by segment, geography, channel, offer and price
- Understand company's existing health score approach
- Establish baseline for revenue and churn

Key data types used to predict customer retention

Firmographics	Who they are
Product usage	How they use
Engagement and satisfaction	How they interact
Purchasing behavior	How they buy

Step 2 — Churn diagnostic (Weeks 2-5)

Descriptive analytics

Improved health score

Targeted follow-on efforts

Outputs

Isolated quick-wins

Input to customer journey mapping

Predictive analytics

- Review historical churn events and churn reasons and segment by customer demographics and other data points
- Interview operational stakeholders
- Set-up and run prioritized tools to develop initial insights; Iterate and tailor models for actionability and accuracy
- Refine hypotheses and queries to pin-point specific observations and, identify root causes/corrective actions
- Generate list of potential actions for individual customers

Step 3 — Sizing and roadmap (Weeks 6-8)

- Validate insights with company leadership
- Conduct work session to confirm and prioritize potential actions based on actionability and value-at-stake
- Deliver a functional ML predictive model
- Finalize list of potential actions:
  - "Quick wins"
  - Longer-term initiatives
  - Tactical next steps

Key deliverables supporting the change roadmap

- **Churn risk scores**
- **Customer 'fingerprints'**
- **Retention play catalog**
- **Value-at-stake assessment**
- **Targeted recommendations**

Step 4 — Drive new growth (Week 9 and beyond)

Plan	Execute	Analyze
1. Identify opportunity	**5.** Make go/no-go decision	**8.** Build business case
2. Decide effective action	**6.** Support execution	**9.** Deploy roadmap at scale
3. Determine appropriate stakeholder	**7.** Evaluate success	**10.** Make scaling decision
4. Confirm opportunity sizing		

- Design pilots rooted in the conducted analyses
- Work with company leadership to implement, collect data for test groups and control groups
- Provide a timeline to drive tight governance and tools needed to measure retention success

Retention is just the beginning of the analytics-based service offerings we bring to the table. To create incremental value, we've packaged this program with lead generation analytics, marketing spend analysis, and cross/up-sell optimization. In certain settings, we've accompanied an analytical engine with organizational transformations to set the business up for success. We'll meet you wherever you are and craft a program to fit your needs.

What you get from a KPMG retention analytics engagement

Retention Heatmap: Exposing pockets of risk across the customer base

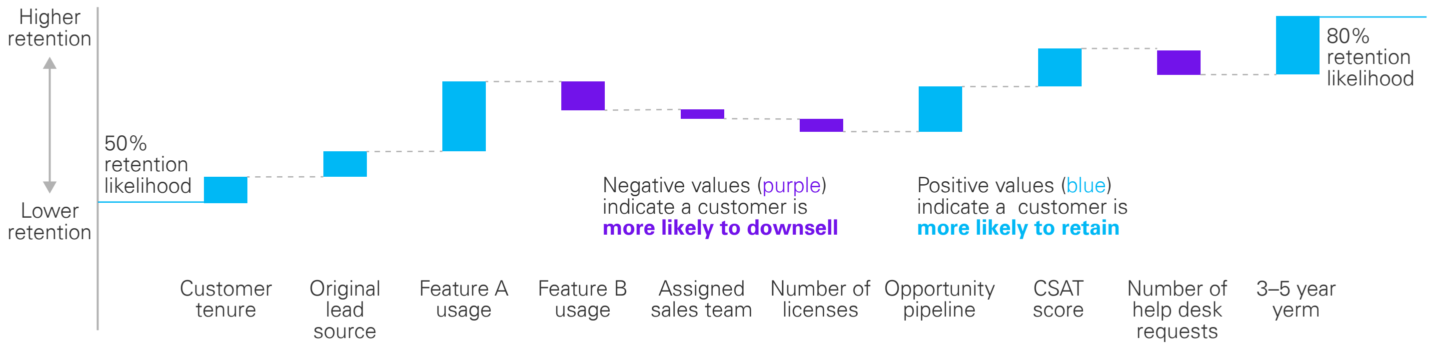
A heatmap can show systematically, based on segments you define, where you have customers at risk. This information can help prioritize investment (e.g., scarce Customer Success resources), size risk in support of financial forecasting, and track the health of your customer base over time.

			Safe		Moderate risk		At risk		High risk	
ARR Bin	**# Customers**	**ARR ($K)**	**# Customers**	**ARR ($K)**	**# Customers**	**ARR ($K)**	**# Customers**	**ARR ($K)**	**# Customers**	**ARR ($K)**
>$1M	40	65,000	15	20,000	10	15,000	10	20,000	5	10,000
$500k-$1M	100	100,000	10	10,000	30	30,000	25	35,000	30	25,000
$200-500k	300	180,000	80	45,000	100	45,000	55	55,000	90	35,000
<$200k	1,400	65,000	120	2,000	150	3,000	450	30,000	650	30,000
Total	**1,840**	**410,000**	**225**	**77,000**	**290**	**93,000**	**540**	**140,000**	**775**	**100,000**

Customer "Fingerprints": Developing an understanding of retention drivers for each specific customer

Our "fingerprints" can show—specific to each customer—the direction and size of retention drivers across 100s of variables. Individually, this fingerprints can focus Customer Success teams on the highest-value areas; in aggregate they can support the design of new plays and motions across Marketing, Sales, Success, and Support.

ABC Food – Top 10 Feature impact on prediction



Retention Playbook: Illustrating what actions can best drive retention impact

Retention model outputs and our retention play catalog together will define the highest-priority actions your team can take to improve retention. This is supported with a data-driven understanding of what specific customers will benefit and how much the successful deployment of a single play will increase retention both for a single customer and broadly across your customer base.

Actions	# Cust.	Play impact	Success rate	ARR Impact	CLTV impact	Time to Execute	Change Challenge	Owner
Prioritize engagement of particularly risky (i.e. high churn likelihood) customers	200	Med.	75%	$150,000	$800,000	◕	◑	CS
Execute custom health improvement plans for "high risk" and actionable customers	500	High	50%	$250,000	$1,200,000	◕	◑	CS
Consolidate contracts to grow contract size for select customers	75	Med.	75%	$55,000	$300,000	◑	◔	Finance
Push to migrate select customers who are likely to benefit most from longer contract terms	75	Med.	60%	$45,000	$250,000	◔	◑	Marketing
Conduct a focused campaign to drive more use of Product Feature A and Product Feature B	120	Med.	80%	$95,000	$500,000	◑	●	Marketing
Put "brakes" on sales for high-risk customers by adjusting and adding flags to marketing cadence tool	400	High	70%	$280,000	$1,400,000	◔	◔	Sales
Work with partners to provide additional support for select customers (i.e. proactive service)	90	Low	95%	$85,000	$400,000	◑	●	CS
Elevate Customer Support tickets for risky customers	500	High	50%	$425,000	$2,200,000	◕	◕	CS
Cross-sell Product A to Product B based on conversations started with a product-use trigger	80	Low	70%	$55,000	$300,000	◕	◑	CS
Total					**$7,350,000**			

Five practices can help companies extend the impact of retention analytics

While launching any new program comes with challenges, we have observed five leading practices that increase impact and reduce time to results in deploying new retention analytics capabilities.

01 Establish a virtual collaboration loop between field teams and data scientists

Establish a BIA "Business Impact from Analytics" core team with representation from the business functions and the data science team and launch a dedicated effort to create maximum business leverage from analytics. Secure quick wins and momentum.

02 Apply an agile approach to quickly move up the learning curve

Clearly define what an agile approach to analytics will mean at your company and the core aspects of the necessary cultural shift.

03 Build an appreciation for predictive insights in the field teams

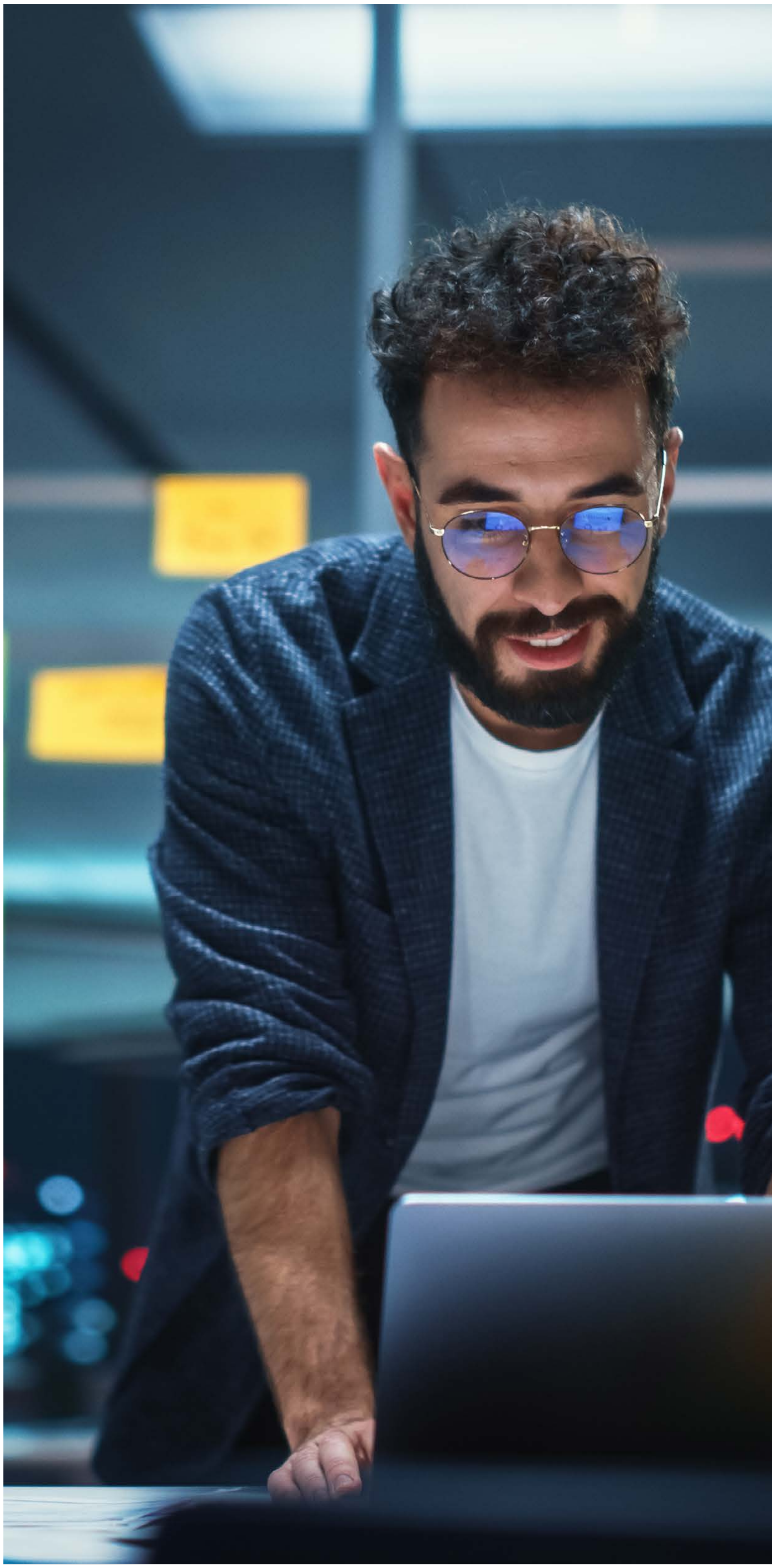
Create an "Analytics 101" course for the field teams and make sure to tangibly demonstrate how analytics can improve their everyday performance and help them exceed their goals.

04 Work with the data you already own, while moving in parallel to fill gaps

There is no reason to wait for better data. "Dig where you stand" and add additional information as it is uncovered.

05 Think big but start small—and transition to a broader change program when opportunities arise

Find one champion in the business team and one on the data science team who can tag team and become your company's BIA heroes. You will thank them for their efforts when you outpace the competition!



Our impact for SaaS companies

New growth for a cloud-hosting company

A leading cloud-hosting SaaS company sought to double its revenue to $1B in 3 years. However, its customer base showed early signs of retention decline. KPMG used 200 predictors to pinpoint the 10% of ARR most at-risk and supported the Customer Success team to better prioritize by "riskiness."

Over time, we were able to expand our retention models to drive positive impact over even more parts of the clients go-to-market motion, including cross/up-sell opportunities, lead gen, and marketing ROI.

- Better predict churn **4-6 months** earlier
- Raised annual recurring revenue growth rate from **8% to 16%** in target areas of the business
- $8 in revenue for every **$1** spend on the program

A more effective GTM for cybersecurity

A recently-merged cybersecurity company was seeking to capture synergies and increase overall revenue. Retention was low across multiple customer segments, and the company's PE backers sought to stem the decline.

As part of a large-scale transformation, KPMG built a holistic picture of the retention issues at play. This allowed our client to redevelop its revenue strategy to expand customer success diagnostics and check-ins, identify new plays, and eventually drive a full-scale Customer Success transformation that brought Customer Success and Renewals into a single function.

- Identified the **top 6,500 accounts** to target for interventions
- **Improved timelines** of renewals, responses
- Reduced Customer Success spending by **over $7m** while improving service levels

Big impact for fast-growth SaaS

A fast-growing customer support SaaS company was seeing sustained churn among its SMB customers despite increasing investment. Lower-cost competitive alternatives were creating competitive pressure that could become a weight on growth and profitability.

Over the course of 8 weeks, KPMG created a machine learning model to help make customer health improvement actionable. The client's marketing, customer success, and renewals executives took this model to address at-risk customers with 10 cross-functional pilots, ultimately generating an estimated $50M+ in new CLTV

- **$50M in new CLTV** generated across 10 cross-functional retention pilots
- **Cross-functional connectivity** across Sales, Marketing, and Customer Success
- Trained client data science and strategy team members to drive **continued impact**

Why KPMG

KPMG offers an innovative approach combining strategic insight with deep analytics and change management at "deal speed". This methodology has a record of helping high-tech companies accelerate profitable growth.

Deep industry experience

Professionals who know what it takes for clients to win in their industry

- SaaS-dedicated M&A and performance improvement teams
- Deeper focus on specific sectors within software for faster issue identification
- End-to-end opportunity diagnostic, covering full go-to-market funnel and customer profitability—not just retention

Leading data and analytics capabilities

Advanced analytical tools and methods that create client advantage

- Machine learning proof-of-concept engines built in 2–5 weeks to drive new insights and targeted action
- Vast proprietary data and hundreds of licensed 3rd party data for more depth
- A retention analytics toolkit, standardized outputs, and playbooks developed across 100s of retention engagements to accelerate impact

Wide-ranging, cross-functional solutions

Innovative approaches that drive tangible value across the project

- Deep functional knowledge across front-office, IT and data infrastructure, finance, HR, and more
- Focused alignment of activities to key value drivers across each stage—preventing value leakage
- Collaboration style and engagement approach tailored for companies' culture and focused on execution
- Cost effective delivery with high ROI potential, with predictable cost and options for "self-funding" payment

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