



# THE SCIENCE OF CUSTOMER RETENTION PERFORMANCE

How to Turn Insights into Action

# Introduction

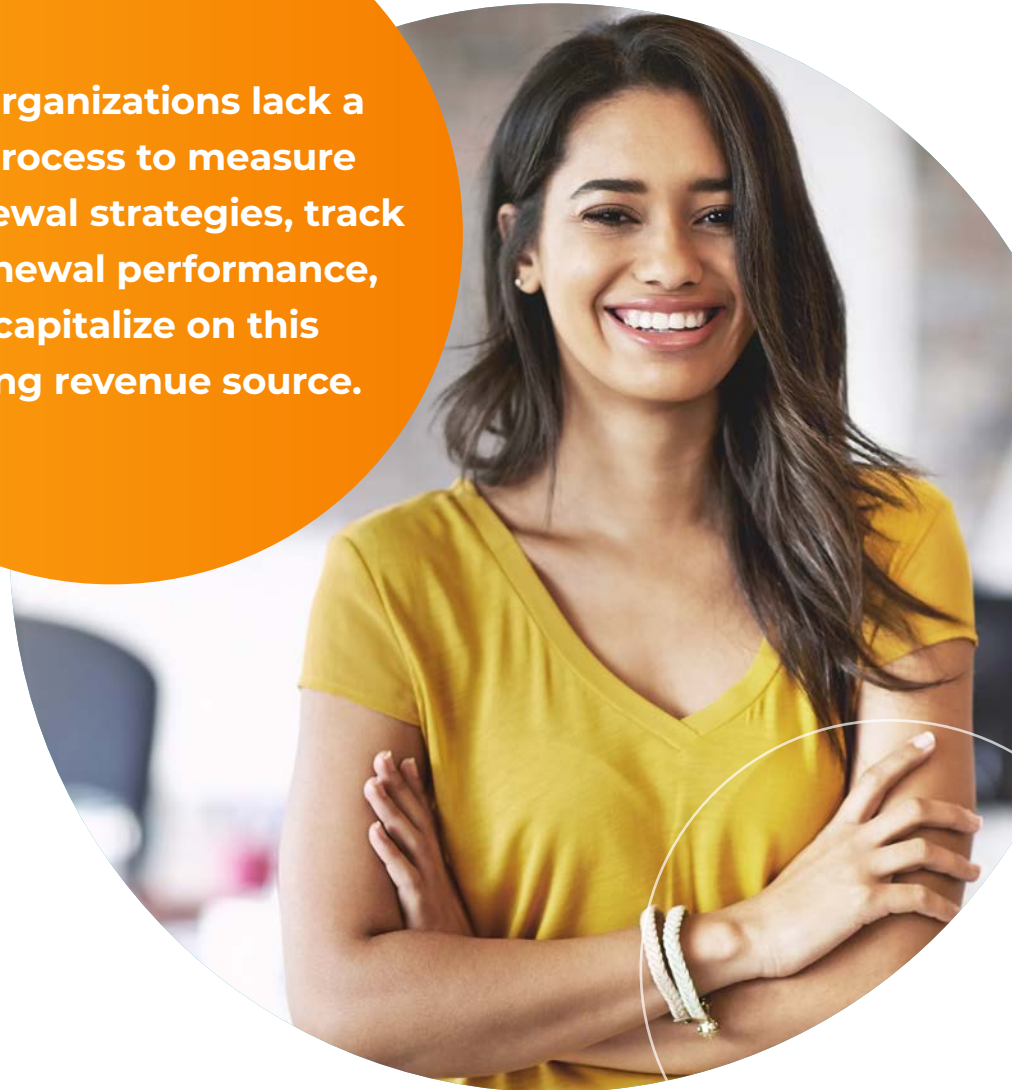
To maximize profits and drive revenue, a concentrated effort must be placed on your most valuable asset—your customers. Unfortunately, much of that effort is put on the acquisition of new customers, and less on the retention and renewal of current customers. Your install base is already familiar with your brand, they understand your products and services, and they are already invested in you. You must protect and nurture their investment for them to continue to see value and grow with you.

Yet, many organizations lack a clear process to measure their renewal strategies, track their renewal performance, and capitalize on this recurring revenue source. For example, when we ask sales and operations leaders, who use the same metrics from the same sources, how they calculate close rates and conversion rates, we often get different answers.

Implementing a standardized process to measure key metrics, extract insights, and leverage the findings strategically is critical for driving renewals and increasing sales productivity.

**In this e-book, we will show you how to analyze renewal performance and pinpoint areas of improvement so you can maximize your on-time renewal rates.**

**Many organizations lack a clear process to measure their renewal strategies, track their renewal performance, and capitalize on this recurring revenue source.**







## The Confusion on Measuring Renewal Performance

**Defining a renewal process or measuring renewal performance can be confusing for many organizations.**

Below are some simple questions you should be asking yourself to determine the specific factors that you should be looking for:

### How do I define a “renewal?”

- Should I include cross-sells and upsells?
- Do I measure the number of contracts renewed or the closing dollar amounts?

### What should I include or exclude in my metrics?

- What do I remove from the numerator or denominator when making my calculations? For example, should I count “unrenewable reasons,” like tech refreshes?

### What timeframe do I use to measure renewal success?

- Is it based on the expiration date or previous transaction date?
- Is it determined by on-time, in-quarter, or trailing renewal?

## How do I get a full view of my pipeline using data across various sources?

- How do I get an aggregated view to inform my coaching and decision-making?

## How do I define opportunity amount?

- Is it based on opportunity potential value or actual contract value?
- Should it be based on the list price, annual contract value, or total contract value?
- Should the renewable base be static or dynamic?

## Ultimately, who should own renewals?

**This is a common question that we will answer later in this e-book. The real questions that need to be addressed first should be:**

- Can I cover the full pipeline of existing customers?
- How do I scale my renewals approach across all spend levels?
- How do I ensure retention and growth outcomes?
- Can I identify where and why I'm losing customers?





**Segmenting and analyzing your renewal accounts will give you the insights you need to answer the questions on the previous pages.**

## Renewal Management Best Practices

**So, what can you do to better understand customer retention and turn insights into actions? Here are some recommendations:**

### **1 Segment Renewal Performance**

Segmenting and analyzing your renewal accounts will give you the insights you need to answer the questions on the previous pages. It can help you identify gaps, pinpoint areas of improvement, and improve results on both campaign and advisor levels.

**This method allows you to analyze opportunities based on numerous factors, including:**

- Customer and contract sizes
- Region or country
- Channel vs. direct
- Expiration window (batch)
- Customer profile (spending and loyalty)
- Customer age
- Business unit and product family
- Industry or vertical
- Other categories based on the data you have available



## A COUPLE OF ESSENTIAL SEGMENTATION VIEWS:

There are the two common segmentation methods: Dollar Segmentation and Expiry Segmentation.

### Pyramid View Segmentation Analysis

(Example of Dollar Segmentation View)

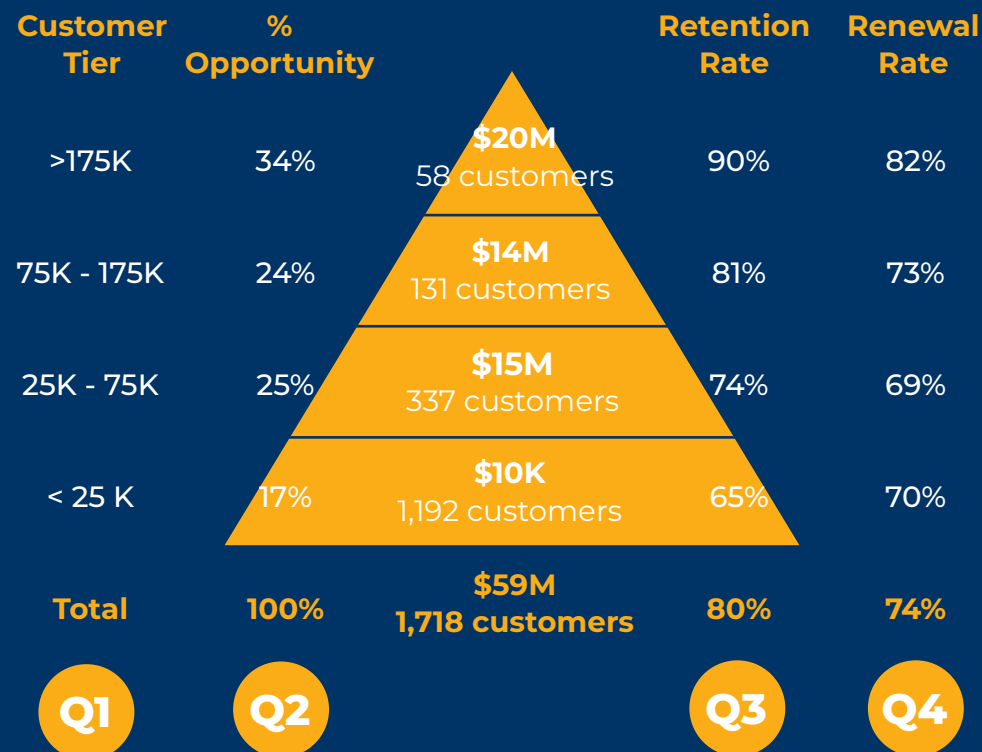
This segmentation method categorizes accounts based on:

- Customer tier
- Percentage opportunity
- Retention rate
- Renewal rate

The pyramid view helps you understand the composition of your opportunities, so you will know where to focus your resources.

#### Insights Gained:

By segmenting renewal performance, you can identify gaps, pinpoint areas of improvement, and improve results on both campaign and advisor levels.



## Maximize Batch Performance to Achieve Goals (Example of Expiry Segmentation View)

Based on decades of inside sales experience, we find that most organizations can benefit from first breaking customers out into time windows based on available opportunities for each quarter.

By batching businesses into a specific timeframe, you can compare expiration and booking dates to understand the distribution of quarterly team production and quarterly batch yield. These insights help you understand:

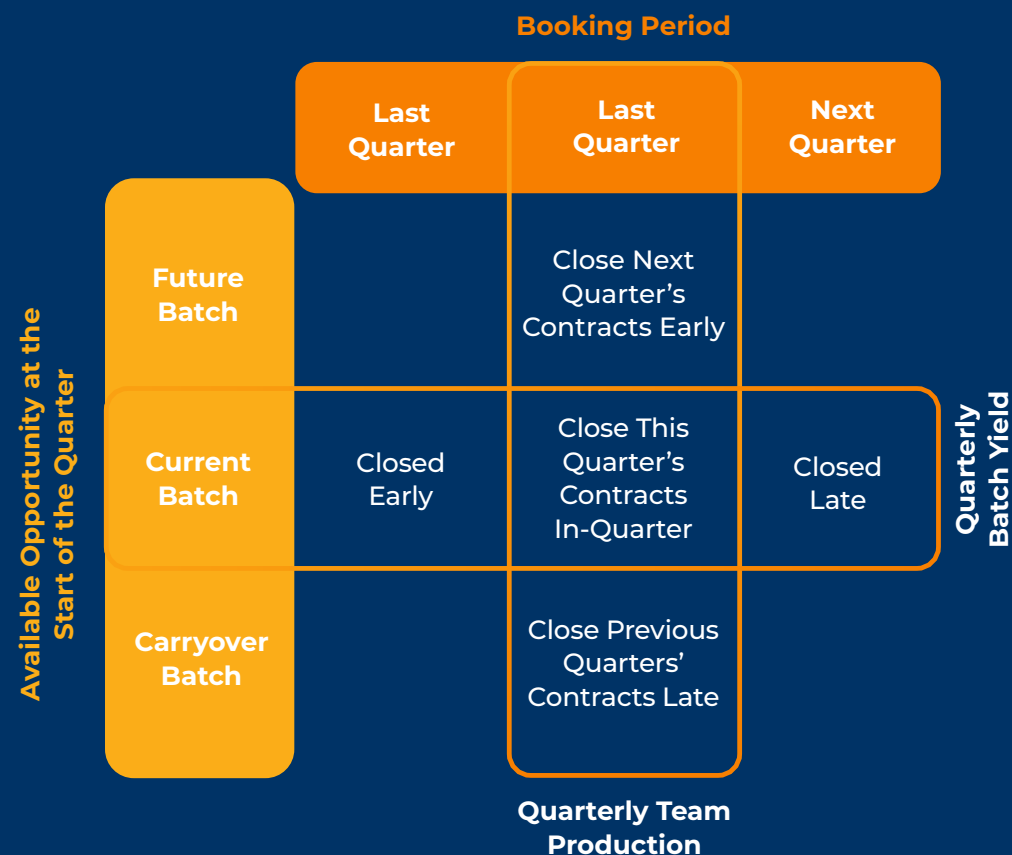
- Why some channels are closing slower than others
- Which opportunities to prioritize
- Which policies to set to focus on the sweet spot: Knowing when sales are booked and when contracts are about to expire

This time-led segmentation approach enables you to identify products that are consistently closing too early or too late, and helps you understand why they have such propensity. After you have set the stage with time-led segmentation, you can drill down into other views such as size, regions, and channels to further refine your renewal strategy.

### Insights Gained:

Segmenting by timelines helps you understand why some channels are closing slower than others, prioritize opportunities, and set policies so you can focus on the renewal sweet spots.

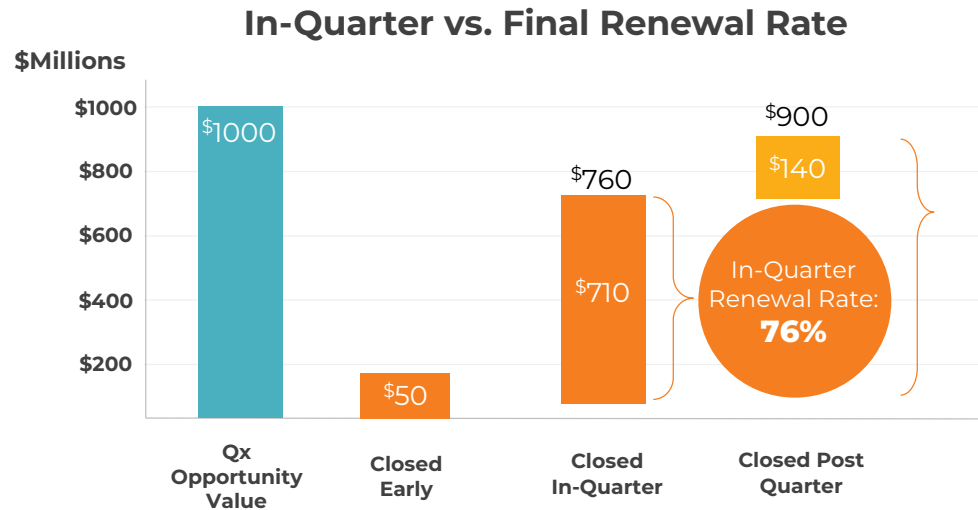
## Best-in-Class Is Aligning Focus on Maximizing Batch Performance to Achieve Goals



## 2 Measure Both On-Time and Trailing Renewal Rates

Most sales organizations focus solely on the final renewal rates, which does not give you the high-level view needed to show when the renewals are happening and how you can increase on-time renewals.

When you compare **in-quarter renewal rates** with **final renewal rates**, you can gain insights to drive on-time contract renewal and improve the health of your renewals book more effectively.



### In-Quarter Renewal Rate

Closed Early + Closed on Time

= Total Opportunity Expiring

### Final Renewal Rate

Closed Early + Closed on Time + Closed Late

= Total Opportunity Expiring



### Insights Gained:

Comparing in-quarter renewal rates with final renewal rates allows you to improve the health of your renewals book and drive on-time contract renewals better.



### 3 Deconstruct Renewal Rates at Summary and Advisor Level to Focus Your Effort

To maximize performance, you need to know where to focus your effort and how to coach your advisors in areas where they can make the most improvements.

First, you need to understand the various components that contribute to the renewal rate and how they impact final results. Then, you must decipher your key performance indicator (KPI) story of each advisor to target your coaching.

#### Insights Gained:

By measuring your resolution, close, and conversion rates, you can see where your sales team is capitalizing and help pinpoint coaching opportunities to get the best out of your renewal contracts.

### 3 Subcomponents of Renewal Rate

Our best practice breaks down renewal rate into three subcomponents. This enables you to get a granular view of the sales process:

1. **Resolution rate:** It measures how many answers (both “yes” and “no”) that a team gets from its total pipeline. This metric shows how well a sales team is covering a “batch” of business.
2. **Close rate:** It measures how often an advisor gets a “yes” out of the total number of responses. This number indicates how well a sales team is selling the value of the renewal contract and enables you to pinpoint coaching opportunities.
3. **Conversion rate:** It compares the closed opportunity amount with the closed transaction amount. This enables you to measure how well a team can increase the value of a contract using multi-years, service upgrades, or uncovered assets.



## Decipher Your KPI Story

The final renewal rate is just one part of the story. To fully understand what is going on in the sales process and provide the most relevant coaching to each advisor, you need to find out *how* they get to their quotas.

Here is an example of two vastly different KPI stories that yield the same total renewal rate:

**Sales advisor A** is converting at a below-average level. They can benefit from coaching on how to close more sales, such as bringing in additional contracts or leveraging customer data to increase transaction amount. They can do this by cross-selling, upselling, licensing, and subscription opportunities.

**Sales advisor B** is not getting many responses on their deals, which is an indication that they are only focusing on top-dollar deals, instead of getting down the stack. However, they are particularly good at converting sales above the closed opportunity amount. To improve their performance, you need to find out why they are not getting answers—is it a capacity issue or do they need coaching on how to elicit quicker responses from end-user partners?

### Insights Gained:

Breaking down each sales advisor's KPI story will help you understand specific strengths and how to approach coaching with pinpoint accuracy.

### SALES ADVISOR A



### SALES ADVISOR B



#### Resolution Rate:

Measures how well a sales team is able to cover a “batch” of business.

#### Closure Rate:

Measures how well sales teams are selling the value of the renewal contract.

#### Conversion Rate:

Measures how well teams can increase the value of a renewal above par-value (upsell, cross-sell, add-ons consumption increases, etc).

#### 4 Get a Holistic View of Your Pipeline

When you put the three components together, you can get a holistic view of your pipeline and identify which part needs improvement.

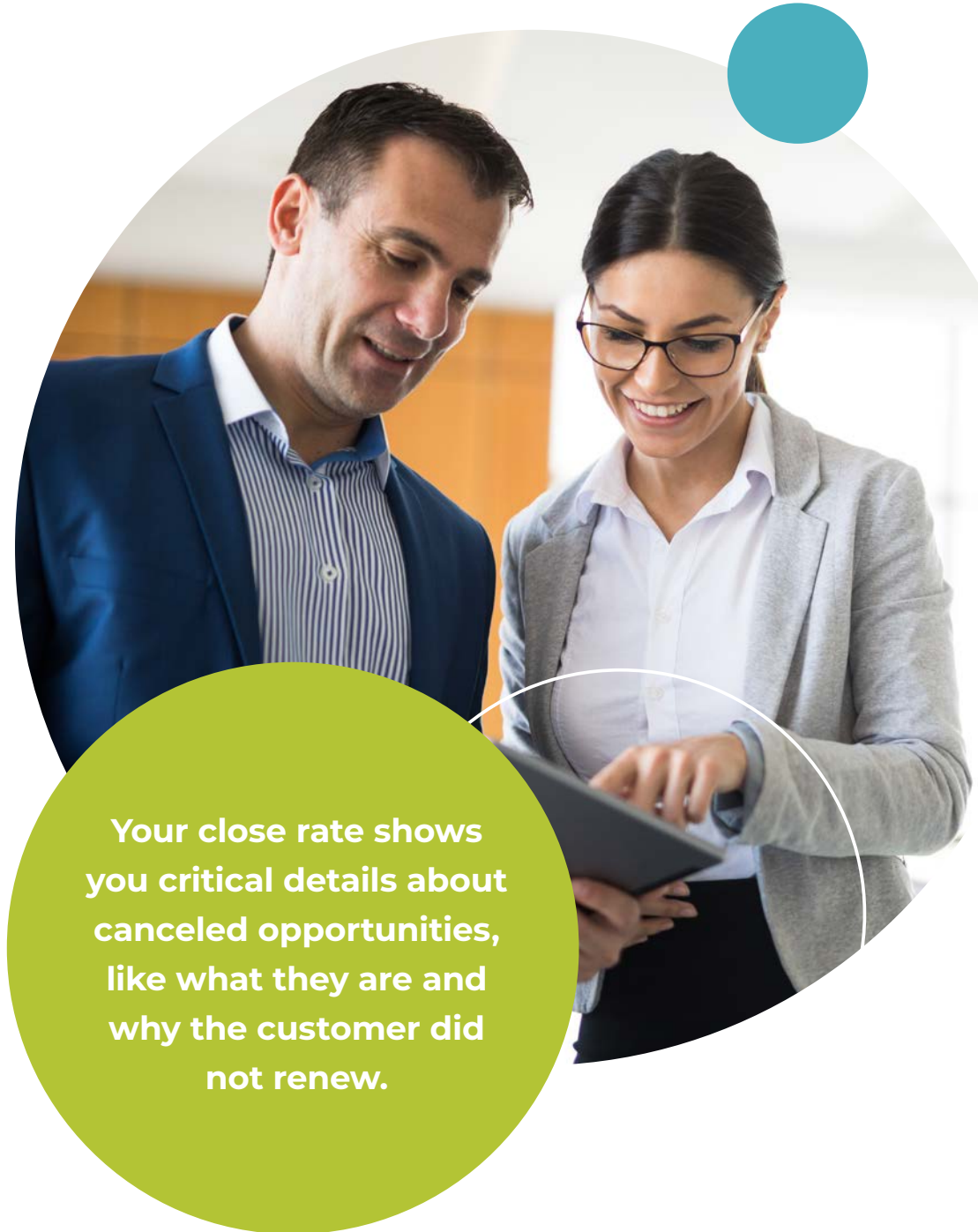
By fine-tuning your segmentation strategy, you can more effectively communicate relevant information needed to generate more responses from each customer—enabling you to increase the resolution rate. Your close rate shows you critical details about canceled opportunities, like what they are and why the customer did not renew. For example, you can understand if a canceled opportunity is related to product value or caused by a customer going out of business.

However, an analysis of all three subcomponents will provide you with the most accurate measurement of successful and on-time renewals from an identified “batch” of business. It will also be extremely useful when examining historical trends.

Looking at renewal rates on an annualized basis offers more of an apples-to-apples view of what customers are spending year after year.

##### Insights Gained:

By getting a holistic view of your pipeline, you can identify the specific weak points in your segmentation strategy to improve customer engagement and maximize renewal revenue potential.



**Your close rate shows you critical details about canceled opportunities, like what they are and why the customer did not renew.**



## Additional Best Practices to Utilize Renewal Levers to Drive Higher Performance

**Many factors affect on-time renewal. Here are the key levers and how you can dial them in to drive performance:**

**Policy:** Enforce a standardized policy for each customer based on asset or subscription ID to govern how on-time vs. late renewals are treated. For example, switch off privilege when a contract expires.

**Grace Period:** Accepting renewals at any time or having a “grace period” that is too long, encourages late renewals. The best practice is to offer no grace period to drive on-time renewal.

**Penalties:** Charge a reinstatement and/or recertification fee for backdating a contact to a previous expiration date. The added financial incentive helps increase on-time renewals.

**Exceptions:** Grant minimal exceptions, which should be approved by VP-level executives, to discourage customers from missing their expiration dates.

**Discounting:** Implement a consistent tiered discounting structure built on value-for-receiver and original equipment manufacturers (OEMs).

**Customer Success Motions:** Implement end-to-end account management (e.g., onboarding, health checks, strategy sessions, cloud/product conversion, upsell/cross-sell, etc.) to increase adoption and ensure customer satisfaction and usage.

**Channel Accountability:** Encourage active collaboration between OEMs and partners by streamlining processes, defining clear metrics, setting benchmarks, and establishing common goals.



### Insights Gained:

By evaluating key renewal levers and establishing these best practice policies, you will foster a more disciplined approach—helping you improve your renewal rates, customer success, and, ultimately, your bottom line.



## Having a Renewals Partner vs. Keeping It In-House

**Let's get back to the question, "Who should own renewal?"**

The most common answers are dedicated renewal teams, inside or outside sales teams, and customer success teams (some of which have an account management function). Having a dedicated team to manage your renewal is the best way to optimize opportunities.

However, running an in-house team requires a robust infrastructure, time to set up processes and training, a customer data/analytics platform to gain insights, and all other associated costs and resources that may not be feasible in your organization. You must cover and analyze the full pipeline of renewals, scale your renewals approach, scale retention and growth outcomes, and identify where and why you may be losing customers.

### Insights Gained:

By entrusting your renewals program to a partner, you can get all the scale, expertise, insights, and infrastructure at your fingertips—immediately.

# Conclusion

To accurately understand sales performance and pinpoint areas of improvement for your renewal process, you should:

- Segment and analyze your business at the revenue and contract level. Then, drill down to segments such as industry sector, direct vs. channel, country or region, and contract size (dollar tiers, small-to-medium business (SMB) vs. enterprise, etc.).
- Batch business into a specific timeframe to compare expiration and booking dates. This allows you to prioritize opportunities and set the appropriate policies to focus on contracts that are about to expire.
- Measure both on-time and trailing renewal rates to identify opportunities for driving on-time contract renewal and improve the health of the renewals book.
- Deconstruct your renewal rates into resolution rates, close rates, and conversion rates. This helps you to identify where to focus resources and how to coach your sales advisors.

Making all these moving parts fit together can be challenging if you don't have the right expertise and resources in-house.

Concentrix's Revenue Growth Services help you quickly scale your renewals management processes to improve renewal rates and maximize yield. By measuring and analyzing the right metrics, our experts can pinpoint when and why your customers are at risk of churn.

Our renewals advisors are equipped with an industry-leading high-performance sales (HPS) methodology and purpose-built technology suite to construct a 360-degree view of your install base. This allows us to leverage actionable intelligence to optimize your service packages, based on customer needs, so you can increase conversion rates with upsell and cross-sell opportunities.



**By measuring and analyzing the right metrics, our experts can pinpoint when and why your customers are at risk of churn.**



## ABOUT CONCENTRIX

Concentrix Corporation is a leading global provider of customer experience (CX) solutions and technology, improving business performance for some of the world's best brands. Every day, our staff delivers next generation customer experience and helps companies better connect with their customers. We create better business outcomes and help differentiate our clients by reimagining everything CX through Strategy + Talent + Technology. Concentrix Catalyst, our experience design and engineering team, combines human-centered design, powerful data, and strong tech to accelerate CX transformation at scale.

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