ELEV 8 — ANALYTICS —

THE POWER OF MEASUREMENT

The metrics subscription-based businesses must record and analyse

November 2024

WHO ARE
ELEV8 ANALYTICS?

Here at ELEV8 Analytics we work with subscription-based businesses to demystify their data and provide actionable insights. We understand that in fast paced environments data can often take a backseat as the never ending to do list (well… never ends). However, as your business matures and structure is more sought after, implementing data solutions become crucial to provide clarity across the breadth of your business.

Our bespoke solutions support businesses at all stages of their data journey. Our tailored ‘data’ and ‘insights’ strategies allow for complete flexibility depending on your current capabilities. We deliver actionable insights, to put out today’s fires whilst equipping you to tackle the challenges of tomorrow.

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CHAPTER 1

BACKGROUND AND OBJECTIVE

In today's data-driven business landscape, making informed decisions is crucial for success. But how do you navigate the sea of information and identify what truly matters? The answer lies in **metrics**.

Metrics are quantifiable measurements that track various aspects of your business. They act as the compass guiding your decision-making, providing insights into what's working, what's not, and where to focus your resources.

Collecting data against metrics is not always simple, it can be confusing as well as resource intensive. To help your business started on its data journey, ELEV8 have pulled together a comprehensive list of essential metrics that all subscription-based businesses should be recording. By tracking these metrics and analysing the data they generate, you will gain valuable knowledge about your customers, operations, and overall performance. With findings supporting decision making and helping you focus on what maximises value.

After reading this report, you will know

What metrics are

Essential metrics you must track, explained in detail with relevant case studies.

How to implement these metrics effectively within your organisation.

This report will provide you with a solid foundation in **what** to record and **how** to do it, unlocking the power of data. Allowing you to make smarter business decisions, optimise your operations, and ultimately achieve your goals.

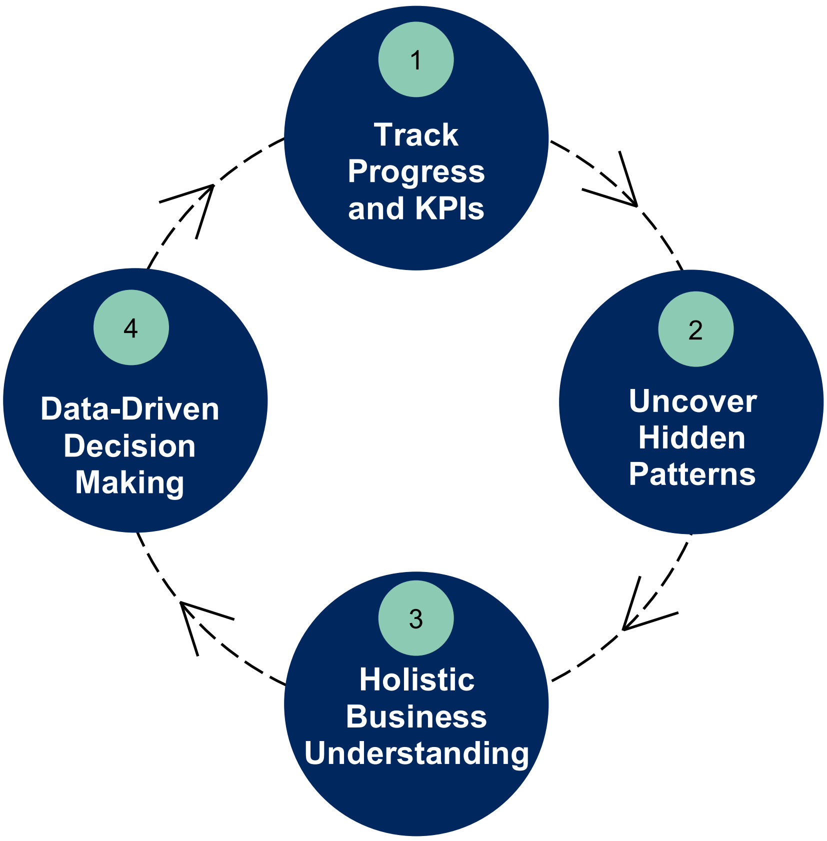
1.1. Why record metrics?

1 **Track Progress and KPIs:** Recording metrics allows you to monitor your progress over time and assess the effectiveness of your strategies. This historical data provides a valuable baseline for setting future goals. By transforming your metrics into Key Performance Indicators (KPIs), you can define Specific, Measurable, Achievable, Relevant, and Time-bound goals that **guide your business towards success**.

2 **Uncover Hidden Patterns:** Metrics can reveal hidden trends and relationships that might not be readily apparent. Statistical analysis of data can help you uncover underlying patterns in customer behaviour, identify correlations between marketing campaigns and sales performance, or pinpoint factors influencing employee productivity. By understanding these relationships, you can **target your efforts more effectively and focus on what truly works**.

3 **Holistic Business Understanding:** Metrics offer a comprehensive view of your business's health. You can track performance across different departments, functions, and product lines. This interconnected view reveals how various areas link together and their impact on each other. By understanding these relationships, you can **identify potential bottlenecks or inefficiencies and optimise your overall business operations**.

4 **Data-Driven Decision Making:** Metrics provide insights that go beyond gut feelings or anecdotal evidence. By recording and analysing data, your business can make informed decisions about everything from product development and marketing strategies to resource allocation and pricing. This **data-driven approach will significantly improve the effectiveness and efficiency of your business activities**.



1.2. Metrics vs KPIs

METRICS	KPIs
Metrics are measurable data points that track various aspects of your business, they provide general information about what is happening.	**Key Performance Indicators** are specific metrics that are directly tied to a business goal, they measure progress towards achieving a specific objective.

Think of a **metric** like a compass direction - it tells you which way you're facing but not your specific location or destination.

Whilst **KPIs** are a specific location on the map, you can use your compass (**metrics**) to show you the direction of travel.

Metrics can effortlessly be turned into KPIs, this report will provide actionable examples of how our suggested metrics can be transformed into specific KPIs.

1.3. Leading vs lagging measures

LEADING	**Predicts future performance or outcomes**
LAGGING	**Measures past performance or outcomes**

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A strong data strategy utilises both leading and lagging metrics to:

1. Confirm the impact and learn from past actions and decisions
2. Help identify potential issues or opportunities before they impact results.

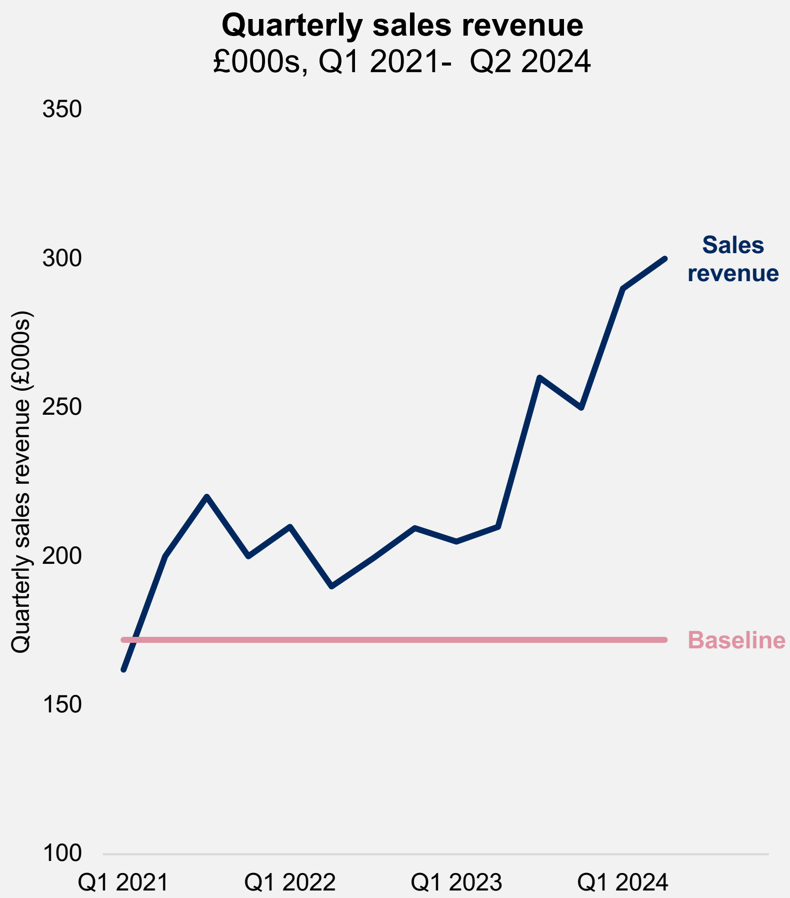
By effectively tracking and analysing both leading and lagging metrics, your business can gain a more comprehensive understanding of its performance and make data-driven decisions for future success.

1.4. The importance of baselining

Baselining is crucial when recording metrics, **establishing a starting point to measure progress, identify areas for improvement, and make informed decisions**.

By comparing current performance to this baseline, your business can **track progress over time**, **set realistic goals**, and **allocate resources effectively**. Regularly updated baselines based on relevant metrics will ensure your business adapts to changing circumstances and make data-driven choices for long-term success.

The adjacent example demonstrates how when visually represented, baselines can be key in understanding how much your business has developed over a given period.



1.5. Cross-tabulation

What is it?

Cross-tabulation is the practice of comparing results from one variable (in this case metrics) with the results of another. Through just these 10 examples, you will begin to understand the value from recording and comparing results across a suite of metrics.

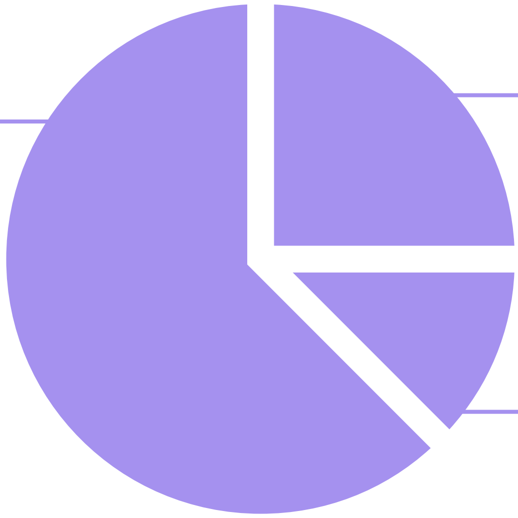
Why is it useful?

You may notice through our examples that single metrics alone may not tell the whole story. Combinations with others through cross-tabulations can help to build a stronger picture. This will enable greater insights and provide your business with evidence-backed solutions.

1.6. Segmentation

In some of our examples, we recommend further breakdowns of metrics - this is called segmenting

Segmenting involves dividing data into groups based on **shared traits**. This is crucial because it **unveils hidden trends** within specific customer segments, product lines, or geographic regions.



By analysing **segmented** data, you can craft **targeted strategies**, make **informed decisions** about resource allocation, and benchmark your performance against relevant groups.

Segmentation essentially allows you to move beyond generic analysis and make **data-driven decisions with greater impact**.

Throughout this report, relevant case studies have been produced for all metrics to enhance your understanding. If you want to see how this could look in practice in your business, contact us today at contact@elev8analytics.com

CHAPTER 2

CUSTOMER ACQUISITION & REVENUE

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Customer acquisition and revenue metrics are critical to understanding how efficiently your business attracts, converts, and retains customers whilst driving growth. These metrics reveal how much you're spending to bring in new customers and how much value each customer contributes over time. Without tracking and analysing these figures, it's hard to gauge the sustainability and profitability of your subscription model.

This section highlights essential acquisition and revenue metrics every subscription business should monitor. These metrics are likely part of your routine reporting, but do you dive deep into the data to uncover insights? Do you track trends over time and compare them against other key metrics to drive growth?

The core customer acquisition and revenue metrics that ELEV8 recommend that your business records are:

- Customer Acquisition Cost (CAC)
- Lifetime Value (LTV)
- Monthly Recurring Revenue (MRR)
- Average Revenue Per User (ARPU)

2.1. Customer Acquisition Cost

CAC is a key metric that measures the cost of acquiring a new customer for your business. It represents the total expenses you incur in marketing, sales, and other efforts to convert a lead into a paying customer.

Why implement CAC?

- **Improves Business Efficiency:** By tracking CAC, you can assess the efficiency of your customer acquisition efforts. A high CAC might indicate a need to optimise your marketing and sales strategies to reduce costs.
- **Informs Pricing Strategy:** Knowing your CAC helps you determine appropriate pricing for your products or services. Ideally, your pricing should allow you to recover your CAC and generate a profit.

CALCULATING CAC

$$CAC = \frac{\textit{Total Customer Acquisition Costs}}{\textit{Number of New Customers Acquired}}$$

Where:

Total Customer Acquisition Costs includes all expenses associated with acquiring new customers (e.g. marketing, sales team salaries/commissions).

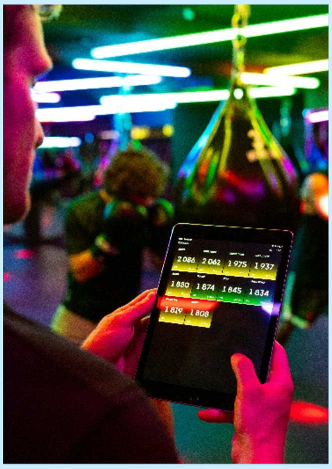
Number of New Customers Acquired refers to the total number of new customers acquired within a specific period (e.g. month, quarter, year).

Limitations of CAC:

- **Attribution Challenges:** Accurately attributing all costs solely to customer acquisition can be difficult. Marketing efforts might influence brand awareness and consideration even if they don't directly convert leads in the same timeframe. This can lead to an underestimation of true CAC.
- **Ignores Customer Lifetime Value (LTV):** While CAC focuses on the cost of acquiring a customer, it doesn't take into account the LTV, which is the total revenue they generate over their relationship with your business. Your LTV should be greater than your CAC to ensure profitability in the long run.
- **Limited Visibility into Customer Acquisition Channels:** The CAC formula provides a total cost figure but doesn't differentiate the effectiveness of various customer acquisition channels (e.g., social media marketing vs email marketing). This limits your ability to optimise your marketing spend across different channels.

Strategies to mitigate limitations

- **Use Marketing Attribution Models:** Marketing attribution models help you allocate credit for customer acquisition across different touchpoints in the customer journey. This provides a more complete picture of how your marketing efforts contribute to conversions.
- **Analyse CAC Alongside LTV:** Don't view CAC in isolation. Always consider it in relation to LTV. A high CAC might be acceptable if the LTV is significantly higher, indicating a profitable customer relationship in the long run.
- **Track CAC by Acquisition Channel:** Segment your CAC calculation by marketing channel to understand the cost-effectiveness of each channel in acquiring new customers. This allows you to optimise your marketing budget and focus on channels with the best return on investment (ROI).



CASE STUDY

CUSTOMER ACQUISITION COST

Background: An online fitness subscription service was experiencing strong user growth but had concerns about the high cost of acquiring new customers.

Objective: The main goal was to calculate CAC and implement strategies to lower the cost of acquiring each new customer whilst maintaining growth.

Initial Analysis:

Baseline data:

- Total Customer Acquisition Costs: £100,000.
- Number of New Customers Acquired: 2,000.

Thus, CAC is £50:

$$CAC = \frac{100{,}000}{2{,}000} = 50$$

Insights and Challenges:
The CAC of £50 was higher than their target, making it difficult to achieve sustainable growth. In addition, the company's LTV was £230, meaning that while each customer was ultimately profitable, reducing CAC could significantly increase profitability margins.

Strategic Actions:

1. **Optimising Marketing Channels:**
   - Analysed Return on Ad Spend (ROAS) and shifted focus from underperforming paid social ads to high-performing influencer partnerships and SEO-driven content.
   - Invested in content marketing to create fitness resources, increasing organic traffic and reducing reliance on paid ads.
2. **Referral Programs:**
   Launched a referral program offering discounts for customer referrals, effectively lowering CAC through word-of-mouth marketing.
3. **Partnerships and Bundling:**
   Partnered with complementary brands for cross-promotion, reducing advertising costs by leveraging shared customer bases.

Results:
After implementing these strategies, changes included:

- Total Marketing and Sales Expenses: £80,000.
- Number of New Customers Acquired: 2,400.

The new CAC was:

$$CAC = \frac{80{,}000}{2{,}400} = 33.33$$

They successfully **reduced** their CAC from £50 to £33.33 — a 33% reduction. **Lowering acquisition costs** whilst maintaining **customer growth**.

Impact on Profitability:

- With the LTV remaining at £230 and the reduced CAC at £33.33, the profit per customer increased significantly:

$$Customer\ Profit = LTV - CAC$$
$$230 - 33.33 = 196.67$$

This represented an improvement in **profitability** from the previous £180 per customer when CAC was £50.

Conclusion:
By focusing on **reducing CAC** through channel optimisation, referral programs, and strategic partnerships, the company was able to lower the cost of acquiring new customers while driving growth. Reducing CAC allowed the company to increase profitability, with the **CAC to LTV ratio improving from 1:4.6 to 1:6.9**, making its business model **more sustainable**.

2.2. Lifetime Value

LTV estimates the total revenue your business can expect to generate from a single customer during their relationship with you. It goes beyond simply looking at the monthly recurring revenue (MRR) and provides a more holistic view of a customer's worth.

Importance of LTV:

- **Informs Customer Acquisition Decisions:** Knowing your average **LTV** allows you to make informed decisions about customer acquisition costs (**CAC**). Your **LTV:CAC** ratio should always be, as a minimum, above 1.
- **Identifies High-Value Customers:** LTV helps you segment your customer base and identify high-value customers who contribute significantly to your revenue over time. You can use this to tailor your marketing and service efforts to retain valuable customers as well as attracting similar customer-types. Ultimately helping you allocate resources more efficiently.

CALCULATING LTV

$$LTV = ARPU \times ACL$$

Where,

ARPU (Average Revenue per User)
Reflects the average revenue a single customer generates in a specific period (e.g. monthly, annually).

ACL (Average Customer Lifespan)
represents the average time (months, years) a customer remains subscribed to your service or continues to be a customer. Can be calculated by:

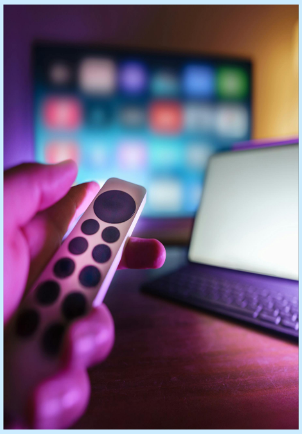
$$\frac{1}{Churn\ Rate}$$

Limitations of LTV:

- **Ignores Unexpected Events:** Sudden changes in market conditions (economic downturns), competitor actions (new product launches), or customer preferences can significantly impact LTV and make it less accurate. For example, a new competitor offering a lower-priced service might lead to higher customer churn, reducing the overall customer lifespan and impacting LTV calculations.
- **Focuses on Averages:** LTV provides an average customer value, but customer behaviour can vary significantly. High-value customers who spend considerably more than the average might be under-represented in the LTV metric.
- **Doesn't take costs into consideration**: LTV only measures the revenue per customer, ignoring the costs involved with the product/service. A high LTV may be misleading if costs are also high.

Strategies to mitigate limitations

- **Consistently track LTV:** Calculate the average revenue a customer generates over their relationship with your business. This provides a more complete picture of customer value and evidence of how customers react during unexpected events.
- **Combine with Customer Segmentation:** Gather data beyond just the number of customers, such as purchase history, demographics, and feedback through surveys or loyalty programs. This allows for more targeted marketing and improved customer relationships.
- **Calculate Customer Lifetime Gross Value (CLGV):** Replace ARPU with gross profit per user to gain a better picture on the gross profitability of each customer. This is even more important for subscriptions with a lower profit margin.



CASE STUDY

CUSTOMER LIFETIME VALUE

Background: A subscription-based streaming company noticed its growth had plateaued despite a steady influx of new customers.

Objective: The goal was to calculate LTV and implement strategies to maximise the long-term revenue generated from each customer, while also reducing customer churn and improving retention rates.

Initial Analysis:

Baseline data:

- **ARPU:** £12 per month.
- **ACL:** 20 months
- **Churn Rate:** 5% monthly.

$$LTV = 12 \times 20 = 240$$

This meant that the **LTV** was £240, representing the total revenue from each customer over their lifetime.

Insights and Challenges: Deeper analysis revealed areas where the company could improve. First, the **churn rate** of 5% was higher than industry standards for streaming services. Additionally, the company had yet to implement effective upselling or cross-selling strategies to increase **ARPU**.

Strategic actions:

1. **Reducing Churn:**
   - **Customer Engagement:** Launched targeted campaigns using predictive analytics to identify and engage at-risk customers based on behaviour patterns indicating potential cancellations.
   - **Personalised Content:** Enhanced recommendation algorithms to deliver more tailored content, improving user satisfaction and lowering churn.
2. **Increasing ARPU:**
   - **Premium Plans:** Introduced a premium subscription tier with exclusive content and features for highly engaged users.
   - **Cross-Selling:** Partnered with complementary services to offer bundled subscriptions at a discounted rate, providing added value.

Results

After six months of implementing these strategies, the company's churn rate dropped from 5% to 3%, and **ARPU** increased to £15 per month due to the premium tier and successful cross-selling initiatives.

The new LTV was recalculated:

$$LTV = 15 \times 33.3 = 500$$

By reducing churn and increasing ARPU, the streaming service effectively doubled its **LTV** to £500, significantly enhancing long-term revenue and customer loyalty.

Conclusion: This case study demonstrates the importance of tracking and optimising **Customer Lifetime Value**. By using LTV as a guiding metric, the company not only improved customer retention but also unlocked new revenue streams. LTV analysis helped the company focus on both retaining existing customers and maximising their long-term value, leading to sustainable growth in a competitive market.

2.3. Monthly Recurring Revenue

MRR is a crucial metric for subscription-based businesses. It shows the predictable **monthly income** your business expects based on your existing customer base and their subscription plans.

Importance of MRR:

- **Tracks Business Health:** MRR reflects the predictability of your revenue stream. A steady or increasing MRR indicates a healthy business with a growing customer base.
- **Financial Planning:** Knowing your MRR allows for better financial planning and forecasting. You can use it to budget for future expenses, make investment decisions, and assess your runway.

CALCULATING MRR

There are two common methods of calculating MRR

1. $\boldsymbol{Number\ of\ subscribers \times ARPU}$:

This approach works well if your subscription plans all have the same price. You calculate the average revenue per user (ARPU) and multiply it by the total number of customers.

2. **Sum of Recurring Revenue from All Subscriptions:**

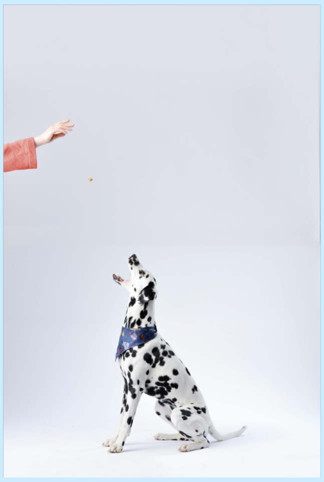
This method is more suitable if you offer various subscription tiers with different prices. Simply add up the recurring revenue generated from all your active subscriptions in a particular month.

Limitations of MRR:

- **Limited Visibility into Future Performance:** While MRR reflects current recurring income, it doesn't directly predict future revenue. Factors like customer acquisition, churn rate, and potential changes in subscription plans can all impact future MRR.
- **Doesn't Account for LTV:** MRR only reflects the monthly recurring revenue, not the total value or quality of a customer over their lifespan. A customer on a lower-tier plan might have a high lifetime value if they remain a customer for a long time. Similarly, those who churn quickly or have low engagement might not be as valuable as those who remain loyal and spend more over time.

Strategies to mitigate limitations

- **Combine MRR with Leading Metrics:** Track metrics like customer acquisition cost (CAC) and churn rate alongside MRR. These leading metrics can influence future recurring revenue and provide a more holistic view of your subscription business's health.
- **Measure alongside LTV:** This metric goes beyond MRR and considers the total revenue a customer generates over their entire relationship with your business. It provides a more complete picture of customer value.



CASE STUDY
MONTHLY RECURRING REVENUE

Background: A subscription-based pet food company provides customised meal plans delivered monthly for cats and dogs. Despite a loyal customer base, they realised its MRR growth had slowed.

Objective: The goal was to increase MRR by improving customer retention, expanding subscription offerings, and identifying upsell opportunities that would add more value for customers while maximising revenue.

Initial Analysis:

Baseline data:

- **Number of Subscribers:** 5,000.
- **ARPU:** £30 per month.

$$MRR = 5{,}000 \times 30 = 150{,}000$$

Their MRR was **£150,000 per month**, with ARR at £1.8m

Insights and Challenges:
A few key areas were identified for improvement:

1. **Limited Upsell and Cross-Sell Opportunities:** Many customers were sticking to the basic subscription package, leaving potential revenue on the table.
2. **Retention Issues with High Churn Rates:** Monthly churn was 6%, limiting MRR growth.
3. **Tiered Pricing Structure:** The company had a single subscription plan, missing out on premium pricing for customers who wanted additional services or higher-end products.

Strategic Actions

1. **Expanding Subscription Offerings:**
   - **Tiered Pricing**: Introduced premium plans with higher-quality food and personalised nutrition to boost ARPU.
   - **Add-On Products**: Launched add-ons like grooming supplies and toys for additional revenue.
2. **Improving Retention to Reduce Churn:**
   - **Personalised Engagement**: Used personalised emails and app notifications to increase engagement and reduce churn.
   - **Loyalty Program**: Offered discounts and bonus items to reward long-term subscribers.
3. **Upselling and Cross-Selling**:
   - **Targeted Upsell Offers**: Used customer data to promote premium products and larger quantities based on pet profiles.
   - **Cross-Promotions**: Partnered with vets and insurance providers to offer bundled services and increase ARPU.

Results:

1. **Increased ARPU and Tiered Pricing Impact:** By introducing new subscription tiers and add-ons, the average revenue per user (ARPU) increased from £30 to **£37** per month, driven by customers opting for premium plans and additional products.
2. **Reduced Churn and Higher Retention:** Through personalised engagement and loyalty programs, they reduced monthly churn from 6% to **3%**, leading to a more stable and growing customer base.

With more subscribers choosing premium options and lower churn, new MRR was:

$$MRR = 5{,}500 \times 37 = 203{,}500$$

MRR grew from **£150,000 to £203,500**, an increase of **35.6%.**

Conclusion: By introducing tiered pricing, offering personalised engagement, reducing churn, and leveraging upsell opportunities, the pet food business was able to grow its MRR by 35%, demonstrating the importance of a comprehensive strategy to optimise monthly recurring revenue.

2.4. Average Revenue Per User

CALCULATING ARPU

ARPU is a metric used to measure the average amount of revenue generated per user or customer over a specific period, typically monthly. It's commonly used in subscription-based businesses to evaluate how much revenue, on average, each customer is bringing in.

$$ARPU = \frac{Total\ Revenue}{No.\ Customers}$$

Why is ARPU Important?

- **Measure of Revenue Efficiency:** ARPU helps companies understand how much revenue they are generating per customer and is used to evaluate the effectiveness of pricing models.
- **Benchmarking Growth**: It provides insights into whether customers are upgrading to higher plans, purchasing add-ons, or if the business needs to improve upselling efforts.
- **Retention and Upselling Impact**: Increasing ARPU can be a sign of successful retention, upselling, or the introduction of premium services.

Limitations of ARPU:

- **Ignores Customer Segmentation:** ARPU provides an average value across all customers, but it doesn't distinguish between different customer segments.
- **Overlooks Customer Acquisition Costs (CAC):** ARPU focuses solely on revenue, not profitability. A high ARPU might look good, but if the cost to acquire or retain customers is too high, it could still result in low or negative profit margins.
- **Ignores Churn and Retention:** ARPU doesn't account for how long customers stay with the business. If churn is high, a solid ARPU might not reflect sustainable revenue.
- **Can Be Inflated by Short-Term Gains:** Short-term promotional offers, discounts, or spikes in one-off purchases can artificially inflate ARPU.

Strategies to mitigate limitations

- **Break ARPU down** by customer groups to identify high-value segments and target upsell opportunities effectively.
- **Calculate ARPU alongside LTV and CAC** to measure both the revenue potential and the costs of acquiring and retaining customers. This will give a more holistic view of business profitability.
- **Use churn and retention data** to assess whether customers with higher ARPU are staying longer. A high ARPU is only valuable if those customers remain subscribers over the long term.
- **Regularly analyse ARPU** over extended periods to smooth out the effects of one-time promotions or spikes, focusing on sustained growth rather than short-term gains.

CASE STUDY

AVERAGE REVENUE PER USER

Background: An Ed-tech platform specialising in professional courses experienced steady user growth. However, the company noticed that its ARPU was stagnating.

Objective: The primary goal was to increase ARPU by implementing strategies that encouraged existing users to spend more while also attracting higher-paying customers.

Initial analysis:

Baseline data:

- Total Revenue: £500,000
- Total Users: 10,000

$$ARPU = \frac{500{,}000}{10{,}000} = 50$$

On average, each user contributed £50 to the company's revenue.

Insights and Challenges:
We identified that while user engagement was high, many users were only accessing basic courses. They discovered that users were often unaware of advanced courses or premium content available. Additionally, the pricing structure did not effectively incentivise users to upgrade or explore premium offerings.

Strategic Actions:

1. **Introduction of Premium Plans:** The company launched a premium subscription tier that provided exclusive access to advanced courses, certifications, and personalised mentorship.
2. **Cross-Selling Opportunities:** They developed bundles that combined popular basic courses with premium content at a discounted rate. Encouraging users to explore additional subjects while providing a perceived value increase.
3. **Enhanced Marketing Campaigns:** Targeted marketing campaigns were launched to promote the new premium offerings.
4. **Loyalty Rewards Program:** The company introduced a loyalty program that rewarded users for completing courses and referring friends. They also implemented gamification, where points earned could be redeemed for discounts on premium courses or exclusive content.

Results:
The new data for the next quarter showed:

- Total Revenue: £700,000
- Total Users: 10,000

$$ARPU = \frac{700{,}000}{10{,}500} = 66.66$$

The ARPU increased from £50 to £66.66, reflecting a 33.3% improvement.

The increase in ARPU contributed to a substantial boost in overall revenue, allowing the company to invest in new content development and marketing initiatives, further driving user acquisition.

Conclusion: By introducing premium plans, bundling courses, enhancing marketing efforts, and establishing a loyalty rewards program, the Ed-tech platform successfully increased its ARPU. This growth not only enhanced the company's revenue but also enriched the user experience by providing more valuable educational offerings, ultimately contributing to long-term success and sustainability.

CHAPTER 3

CUSTOMER RETENTION & ENGAGEMENT

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It's vital that subscription-based businesses track their customer retention and engagement, with them providing valuable insights into how well you're maintaining customer relationships and driving long-term loyalty. These metrics allow you to assess the effectiveness of your strategies, make data-driven decisions, and improve customer experiences for sustained growth and recurring revenue.

Chapter 3 outlines the key retention and engagement metrics that your business should monitor to ensure efforts are focused on maximising customer loyalty and fostering deeper engagement.

The five customer retention & engagement metrics that ELEV8 recommend that you record are:

- Churn rate
- Retention rate
- Upgrade/Downgrade rate
- Active users
- Feature usage

3.1. Churn Rate

Churn rate is a pivotal metric for businesses, especially those with subscription-based models. It measures the percentage of customers who stop doing business with you within a given period of time.

CALCULATING CHURN

$$\mathit{Churn} = \frac{\mathit{Total\ Customers\ Lost\ in\ Period}}{\mathit{Total\ Customers\ at\ Start\ of\ Period}}$$

Why is Customer Churn Rate Important?

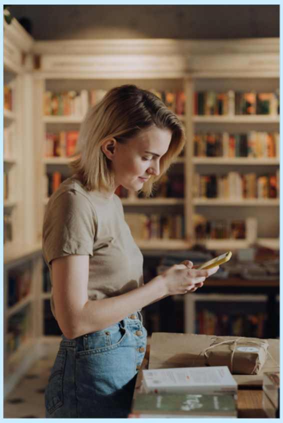
- **Identifies Areas for Improvement:** A high churn rate indicates a problem with your product, service, customer experience, or pricing. Analysing churn can help you pinpoint areas that need improvement to retain customers.
- **Predicts Future Revenue:** Understanding your churn rate allows you to forecast future revenue (MRR) more accurately. High churn can significantly impact your bottom line.
- **Benchmarks Performance:** You can compare your churn rate to industry benchmarks to see how you stack up against competitors. This helps you identify areas where you might be excelling or falling behind.

Limitations of Churn:

- **Limited Visibility into Reasons for Churn:** The churn rate itself doesn't tell you why customers are leaving. You'll need to conduct customer surveys, analyse user behaviour data, or gather feedback through other channels to understand the reasons behind churn.
- **Focuses on Quantity, Not Quality:** The metric simply reflects the number of customers lost, not the value they brought to your business. Losing a high-value customer with a large purchase history can have a more significant impact than losing a single low-spending customer.
- **Doesn't Account for Customer Reactivation:** The churn rate only reflects customer losses; it doesn't account for customers who churn but later come back (reactivate).

Strategies to mitigate limitations

- **Combine Churn Rate with Other Metrics:** Analyse churn rate alongside other metrics like customer satisfaction scores and LTV. This provides a more comprehensive view of customer health and potential churn risks.
- **Segment Your Churn Rate:** Analyse churn rates for different customer segments (e.g. by demographics, subscription plan) to identify variations. This allows you to tailor your retention efforts to address specific customer segments experiencing higher churn.
- **Track Customer Reactivation Rate:** Monitor the percentage of customers who churn but later come back. This provides a more complete picture of your customer retention efforts.



CASE STUDY

CHURN

Background: A subscription-based online language learning platform was seeing strong user acquisition but noticed an increasing number of customers cancelling their subscriptions after only a few months.

Objective: The main goal was to reduce the monthly Churn Rate by identifying key drivers of churn and implementing strategies to improve customer retention.

Initial Analysis:

Baseline data:

- **Number of Customers Lost:** 800.
- **Total Number of Customers at the Start:** 10,000.

$$Churn = \frac{800}{10{,}000} = 8\%$$

This meant that 8% of their customer base were cancelling each month, posing a significant challenge to its long-term growth strategy.

Insights and Challenges:

The company identified the need to reduce churn to ensure sustained growth and profitability. After implementing exit surveys, customer feedback indicated that users who cancelled early often felt overwhelmed by the platform's interface, while others cited a lack of motivation or progress in their learning journey. The company needed to improve both the **user experience** and **engagement** to lower churn.

Strategic actions:

1. **Personalised Onboarding:** Implemented tailored onboarding with guided tutorials to help new users adjust based on their language level and goals.
2. **Progress Tracking and Motivation:** Enhanced tracking features to showcase milestones and added gamification elements like badges and leaderboards to boost engagement.
3. **Re-Engagement Campaigns:** Launched campaigns targeting disengaged users with personalised emails and discounts for premium upgrades.
4. **Customer Support Enhancement:** Improved support with live chat and personalised assistance to proactively resolve user issues.

Results:

After implementing these strategies over a 6-month period, they saw a noticeable decrease in its churn rate. The latest months data:

- **Number of Customers Lost:** 450.
- **Total Number of Customers at the Start:** 10,500.

The updated **Churn Rate** was:

$$Churn = \frac{450}{10{,}500} = 4.29\%$$

Churn was successfully reduced from **8%** to **4.29%**, nearly cutting it in half.

Reducing the churn rate significantly extended the **Customer Lifetime**. From 12.5 months to 23.3 months. In turn increasing LTV.

Conclusion: By focusing on personalised onboarding, motivation through progress tracking, re-engagement, and improved customer support, the company successfully reduced its churn rate and significantly extended the lifetime and value of its customers. This reduction in churn not only boosted profitability but also strengthened the overall user experience and customer loyalty.

3.2. Retention Rate

Retention rate measures the percentage of customers who stay subscribed over a given period. It indicates customer loyalty and reflects the long-term stability of the business.

- A **high retention rate** means more customers are staying;
- While a **low rate** suggests many are leaving, which could signal underlying issues with the product or service.

CALCULATING RETENTION RATE

$$Retention\ Rate = \frac{Customers_e - New\ customers}{Customers_s}$$

Where:

$Customers_e$ = The number of customers at the end of the period.

$New\ customers$ = Number of new customers who joined during the period.

$Customers_s$ = Total number of customers at the start of the period.

Why is Retention Rate Important?

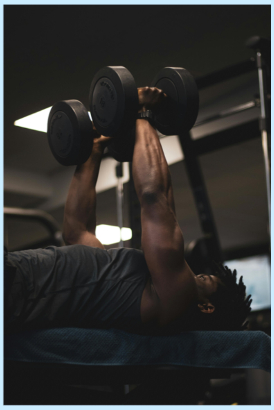
- **Cost efficiency:** Retaining existing customers is generally more cost-effective than acquiring new ones.
- **Increased LTV:** The longer a customer stays, the higher their LTV.
- **Emphasises loyalty:** Whilst Churn highlights loss, retention emphasises loyalty - indicating customers are satisfied and find ongoing value in your product or service.
- **Financial forecasting**: A high retention rate indicates a more stable and predictable MRR, making financial forecasting easier and more reliable.

Limitations of Retention rate:

- **Doesn't explain why customers stay or leave:** Retention rate shows how many customers stay, but doesn't reveal the reasons behind their behaviour, limiting actionable insights.
- **Ignores revenue impact:** A high retention rate may mask the fact that low-value customers are staying while high-value customers churn, affecting overall profitability.
- **Overlooks customer engagement:** Customers may remain subscribed but inactive, meaning a high retention rate doesn't always reflect active or satisfied customers.

Strategies to mitigate limitations

- **Collect qualitative feedback** through surveys, interviews and customer support interactions to understand customer motivations. Use exit surveys for churned customers to identify pain points and reasons for leaving.
- **Track LTV** and segment retention rates by **customer value tiers**. Analyse retention alongside ARPU to ensure you retain high-value customers. Prioritise retention efforts for more profitable customer segments to maximise revenue impact.
- **Measure customer engagement** alongside retention rate by tracking metrics such as **active users** and **feature adoption**. Segment customers by engagement levels and focus on re-engaging inactive customers through personalised campaigns or incentives.



CASE STUDY
RETENTION RATE

Background: A gym offering monthly memberships, has a strong retention rate. Despite this high retention, the gym experienced flat revenue growth.

Objective: The goal was to identify why members stayed or left, ensure high-value members were being retained, and assess how actively engaged members were with the gym's services.

Initial Analysis

Baseline monthly data:

- **Members at the Start of the Period:** 1,000.
- **New Members Acquired:** 100.
- **Members at the End of the Period:** 950.

$$Retention\ Rate = \frac{950 - 100}{1{,}000} \times 100 = 85\%$$

Although this indicated that 85% of members were staying, it didn't provide insights into **why** members stayed or left, how engaged they were, or if **high-value** members were being retained.

Insights and Challenges:
Despite the high retention rate, we identified three key data limitations:

1. **Why Members Stay or Leave:** The retention rate didn't reveal the motivations behind member loyalty or churn.
2. **Revenue Impact:** The retention rate didn't distinguish between regular members and high-value clients (those on premium plans or using personal training services), making it unclear if the most profitable members were being retained.
3. **Member Engagement:** The retention rate didn't account for whether retained members were actively using the gym's facilities or simply maintaining memberships without regular visits.

Strategic Actions:

1. **Understanding Member Motivations:** Used exit surveys to understand why members cancelled and in-gym/email surveys to identify valued services among active members and gauging overall satisfaction and identify improvement areas.
2. **Tracking Revenue Impact:** After segmenting members by value tiers, we found premium members had a lower retention rate (80% vs. 85%). We also analysed LTV and ARPU to prioritise retention efforts for high-value members, such as premium and personal training clients.
3. **Measuring and Boosting Engagement:** We tracked check-ins and class attendance, revealing 40% of retained members visited less than once a week. To boost engagement, the gym launched re-engagement campaigns offering personalised plans, discounts, and reminders via app notifications and emails.

Results:

1. **Member Insights:** Many members who cancelled felt they weren't seeing results, while others left due to inconvenient gym hours. As a result, the gym improved its services and extended operating hours.
2. **Retention of High-Value Members:** The gym focused retention efforts on premium members and personal training clients, offering exclusive benefits. As a result, premium member retention increased from 80% to 88%, significantly boosting overall **LTV**.
3. **Improved Engagement:** The re-engagement initiatives led to a 25% increase in weekly gym visits. Members who were re-engaged showed a 2x increase in usage of additional services, reducing the likelihood of churn.

Conclusion: The gym leveraged data and insights to better understand member motivations, focusing on high-value clients, and boosting engagement through targeted campaigns. They not only improved retention but also increased revenue and member satisfaction. This holistic approach allowed the gym to drive sustainable growth and build a more engaged and loyal member base.

3.3. Upgrade/Downgrade Rate

The **upgrade/downgrade rate** measures the proportion of users who switch to a higher or lower subscription tier. This metric provides insights into customer behavior regarding product offerings and can indicate how well the company meets user needs.

CALCULATING UPGRADE/DOWNGRADE

$$\text{Upgrade Rate} = \frac{\text{No. Upgrades}}{\text{Total users at start of period}}$$

$$\text{Downgrade Rate} = \frac{\text{No. Downgrades}}{\text{Total users at start of period}}$$

Why is the Upgrade/Downgrade Rate Important?

- **Customer Satisfaction Insights:** High upgrade rates may indicate that customers find value in higher-tier offerings, while high downgrade rates can signal dissatisfaction or a mismatch between customer needs and the service provided.
- **Product and Pricing Strategy:** Analysing these rates can inform product development and pricing strategies. If users frequently downgrade, it might be a signal to reassess the value proposition of lower-tier offerings or enhance higher-tier benefits.
- **Churn Prevention:** Monitoring these rates can help identify at-risk customers. If downgrades are common, it could indicate potential churn, allowing the company to implement retention strategies before losing customers.

Limitations of Upgrade/Downgrade rate:

- **Limited Scope of Insights:** The upgrade/downgrade rate does not provide information about the reasons behind user decisions. A high downgrade rate might indicate dissatisfaction, but it won't explain why customers are leaving.
- **User Segmentation Ignored:** Calculating an overall upgrade/downgrade rate without segmenting users can mask important differences in behaviour across different user groups.
- **Overemphasis on Upgrades:** Focusing too much on maximising upgrades may lead to neglecting the factors that keep customers satisfied at their current tier or lead to downgrades.

Strategies to mitigate limitations

- **Implement surveys or exit interviews to gather qualitative data** on why users upgrade or downgrade. Also use analytics tools to track user interactions with the platform, identifying specific features or experiences that may lead to upgrades or downgrades.
- **Break down the upgrade/downgrade rate by user segments** (demographics, usage patterns, subscription tiers) to uncover insights specific to each group. Use cohort analysis to track the behaviour of specific user groups over time, helping to identify trends and patterns in upgrades and downgrades.
- **Develop a balanced approach that considers user satisfaction at all levels**, ensuring that efforts to encourage upgrades do not negatively impact retention.

CASE STUDY

UPGRADE/DOWNGRADE RATE

Background: Despite increasing sign ups, a meal prep subscription service offering personalised nutritious meal plans, has noticed significant movement between subscription tiers.

Objective: The main goal was to understand their upgrade and downgrade rates and identify strategies to maximise upgrades, reduce downgrades, ultimately improving LTV.

Initial Analysis

Baseline quarterly data:

- **Total Users at Start:** 5,000
- **Upgrades:** 400 users upgraded to a higher meal plan tier.
- **Downgrades:** 250 users downgraded to a lower-tier meal plan.

$$Upgrade\ Rate = \frac{400}{5{,}000} = 8\%$$

$$Downgrade\ Rate = \frac{250}{5{,}000} = 5\%$$

8% of users upgraded to a more expensive plan, whilst 5% downgraded to a lower-priced one.

Insights and Challenges:

After analysing customer behaviour, we identified several key drivers for both upgrades and downgrades:

- **Upgrades:** Customers upgrading their meal plans cited a desire for greater meal variety, premium ingredients, and family-size portions.
- **Downgrades:** The most common reasons for downgrades were price sensitivity, lower meal consumption and perceived lack of meal variety in lower-tier plans. Some customers downgraded temporarily due to seasonal factors or lifestyle changes.

Strategic Actions:

1. An AI-powered engine suggested **personalised meal plans** tailored to user preferences, driving upgrades.
2. **Exclusive features** like specialty ingredients and dietitian consultations **encouraged upgrades** to premium tiers.
3. **A "pause" feature** allowed users to temporarily suspend their subscriptions **instead of downgrading**, reducing customer loss.
4. A campaign offering **discounted trials of premium tiers** helped users experience added value before committing long-term.
5. **Exit surveys** gathered insights on reasons for downgrades, enabling adjustments to better meet user needs.

Results:

Latest quarter:

- **Total Users at Start:** 6,000
- **Upgrades:** 550
- **Downgrades:** 180

$$Upgrade\ Rate = \frac{550}{6{,}000} = 9\%$$

$$Downgrade\ Rate = \frac{180}{6{,}000} = 3\%$$

The upgrade rate increased from 8% to 9%, while the downgrade rate decreased from 5% to 3%.

Impact on Revenue and Customer Retention:

The increased upgrade rate contributed to higher ARPU, as more users opted for higher-tier plans. The decrease in downgrades also improved customer retention, as fewer users were leaving the premium tiers.

Conclusion: The meal prep subscription service successfully optimised its upgrade/downgrade rate. These efforts resulted in higher ARPU, improved customer retention, and more targeted product offerings that better aligned with customer needs.

3.4. Active users

Active Users is a metric that tracks the number of unique users actively engaging with a product or service over a given period of time. It is commonly used in subscription-based or digital businesses to measure how many users are interacting with the platform, product, or service regularly.

Why Analyse Active Users?

- Active user metrics can be broken down by **customer segments** to identify which groups are most engaged. This allows you to **focus retention and marketing efforts** on high-value users.
- Active users are more engaged with the product, making them prime candidates for **upselling** or **cross-selling** additional services or features.
- A drop in active users is often a **leading indicator of potential churn**. Monitoring this metric allows you to take action to bring inactive users back before they fully churn.

3 Types of Active User

1. **Daily Active Users (DAU):** The number of unique users who engage with the product daily.
2. **Weekly Active Users (WAU):** The number of unique users who engage with the product weekly.
3. **Monthly Active Users (MAU):** The number of unique users who engage with the product monthly.

Limitations of Daily Users:

- **Doesn't Measure Quality of Engagement:** Active users only track whether a user logged in or performed a specific action. It doesn't capture the depth or quality of engagement.
- **Ignores Revenue Contribution:** Active users don't reflect the **revenue** generated by each user. A high number of active users doesn't necessarily correlate with profitability, as many may be free users or low-value customers.
- **Doesn't Address Churn Directly:** Active users only show how many users are interacting with the product, but it doesn't explain **why users leave** or whether inactive users are at risk of churning.

Strategies to mitigate limitations

- **Track Engagement Depth:** To address the quality of engagement, measure more detailed actions like time spent, specific feature use, or transaction completions, rather than just logins.
- **Combine with Revenue Metrics:** To understand the revenue impact, segment active users by paying and non-paying customers. Calculate **ARPU** and **LTV** for each segment to determine the revenue generated by different types of active users.
- **Track Churn and Reactivate Inactive Users:** Monitor users who are slipping into inactivity and use **re-engagement campaigns** to bring them back.

CASE STUDY

ACTIVE USERS

Background: An ed-tech subscription platform provides tailored educational resources for children preparing for exams.

Objective: The goal was to use **active user metrics** — specifically **DAU** and **WAU** — to measure and enhance student engagement, identify at-risk users, and re-engage inactive users.

Initial analysis:

Baseline data:

- **Total Users:** 10,000.
- **MAU:** 6,000 (60% of the user base logged in at least once).
- **DAU:** 1,200 (12% of users logged in daily).
- **WAU:** 3,000 (30% of users logged in weekly).

These numbers highlighted a significant engagement gap, with most users interacting with the platform only sporadically.

Insights and Challenges:

We identified several challenges through these metrics:

1. **Low Engagement Consistency:** While MAU was stable, only 12% of users were logging in daily, indicating that many students were not regularly using the resources.
2. **At-Risk Users:** A significant portion of users, particularly those in their first few months of subscription, showed declining usage, signalling potential churn.
3. **Usage vs. Learning Outcomes:** Some users logged in briefly but didn't spend enough time on the platform to meaningfully engage with educational content.

Strategic actions

1. To improve engagement, they introduced **personalised study plans**; sending progress updates and reminders, encouraging more frequent use. They also implemented **gamification**, adding badges, streaks, leaderboards and rewards to motivate daily use.
2. To **re-engage** users, **personalised emails and notifications** were sent to inactive users, with study tips and exam reminders. They also offered **discounts and extra quizzes** to bring back long-time inactive users.
3. To track **engagement quality**, sessions times were monitored to differentiate between brief log-ins and full engagement. Features were also analysed to understand which resources were most used vs those used the least.

Results:

1. Within three months of implementing these strategies, **DAU** increased from 1,200 to **2,500** (up 108%), and **WAU** rose from 3,000 to **5,000** (up 67%).
2. Their targeted campaigns successfully re-engaged **25%** of inactive users, with many returning to complete the personalised study plans. Additionally, the incentives led to a **15% increase** in the purchase of premium features among reactivated users.
3. The Ed-tech saw a **30% increase in the number of students** completing full practice exams and quizzes. This not only improved student performance but also boosted retention.

Conclusion: By implementing personalised study plans, gamification, and re-engagement strategies, the platform significantly improved daily and weekly engagement, helping students make better use of the educational resources. This approach not only increased usage but also led to higher retention and better learning outcomes for students preparing for exams.

3.5. Feature Usage

Feature Usage is a metric that tracks how often specific features of a product or service are used by customers. It helps businesses understand which functionalities are most popular and essential to users, as well as those that may be underutilised or unnecessary.

CALCULATING FEATURE USAGE

$$\textit{Feature Usage} = \frac{\textit{No. Users Using Feature}}{\textit{Total Active Users}}$$

The importance of recording feature usage:

- Tracking feature usage allows you to make informed decisions on **product development**. High usage features may signal opportunities for **expansion**, while low usage features can indicate areas to **simplify or remove**, focusing development resources where they are most **impactful** and have the **best ROI**.
- Monitoring feature usage allows you to identify where users **might face difficulties**. For example, if a crucial feature is **underutilised**, it may indicate **usability issues or a lack of awareness**.
- Feature usage can highlight which users are engaging with premium or advanced features, making them **prime candidates** for **upsell** or **cross-sell opportunities**. By understanding how users interact with certain functionalities, you can offer targeted upgrades or new services that align with user behaviour.

The limitations of Feature Usage:

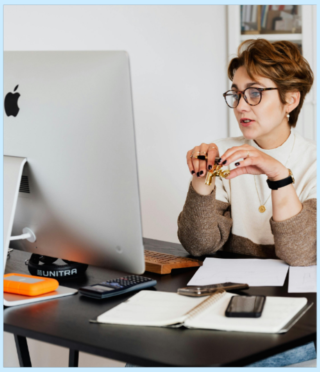
- **Usage vs. Intent**: Feature usage doesn't reveal why users engage with a particular feature. Users might use a feature because they need it, or they might be experimenting without it truly adding value.
- **May Overlook Feature Discovery and Awareness Issues**: Low feature usage doesn't always indicate that a feature is unimportant; users might simply be unaware of it or unable to find it easily in the interface.
- **Doesn't Address Churn Directly**: While feature usage can correlate with retention, it doesn't directly explain why users churn or stop using the product. Low feature usage might signal churn risk, but it doesn't reveal specific pain points causing customers to leave.

Strategies to mitigate limitations

- Use user feedback tools to ask users directly about their **experience with the feature**. This can help understand the motivations behind feature usage and whether it fulfils users' needs.
- Monitor feature **discovery rates during the onboarding process** or after **feature releases**. You can also use heatmaps or funnel analysis to see how users navigate through your product and whether they can easily access important features.
- Combine feature usage data with **churn rate** and **exit surveys**. Tracking usage trends leading up to churn, and survey users who churn to better understand what aspects of the product failed to meet their expectations.

CASE STUDY

FEATURE USAGE



Background: A subscription-based learning platform provides users with access to a wide range of online courses. The company noticed that certain key features were underutilised.

Objective: The goal was to increase the usage of underutilised features — specifically quizzes and interactive assessments — by improving feature discovery, encouraging repeated use, and boosting overall engagement.

Initial Analysis:

Baseline Data:

- **Total Active Users:** 10,000.
- **Users Who Used Quizzes:** 2,500.

$$Feature\ Usage = \frac{2{,}500}{10{,}000} = 25\%$$

Only **25%** of active users were engaging with quizzes, despite them being essential for reinforcing course content. We also tracked the **frequency of quiz use** and found that most users only took quizzes once or twice during the course, rather than using them as a continuous learning tool.

Insights and Challenges:

Through the feature usage analysis, several key challenges were identified:

1. **Low Awareness and Feature Discovery:** Many users, particularly new ones, were not fully aware of the quizzes or their importance in the learning process.
2. **Lack of Continued Engagement:** Even when users did engage with quizzes, usage dropped off after the initial interaction, indicating a need to encourage repeat use.
3. **Impact on Retention:** The team noticed a correlation between low quiz usage and higher churn rates, especially among users who did not complete certification programs.

Strategic Actions

1. To improve **feature discovery**, the platform **enhanced onboarding**, introducing quizzes through tutorials, prompts and personalised recommendations. They also added reminders after lessons to encourage quiz completion.
2. To encourage **continued use**, **gamification was implemented** – using badges, leaderboards and rewards to boost quiz engagement. This was coupled with personalised progress tracking.
3. To **re-engage inactive** users, personalised tips and incentives were sent to these users. Quizzes were also made a required step for completing courses and earning certifications.

Results:

1. Within three months, quiz feature usage increased from **25% to 45%**, with a significant portion of users engaging with quizzes multiple times during their courses.
2. Gamification and progress tracking resulted in a **40% increase** in users completing quiz series, with many reporting that the detailed feedback helped them improve their course outcomes.
3. **Churn fell 15%** among users who actively used quizzes compared to those who didn't.

Conclusion: By improving feature discovery, encouraging repeat use through gamification and personalized feedback, and integrating features into core user goals), the learning platform successfully increased feature usage, reduced churn, and improved learning outcomes.

CHAPTER 4

CUSTOMER SATISFACTION & SUPPORT

Customer satisfaction and support metrics are essential for understanding how well a business meets its customers' needs and expectations. It provides insight into customer experiences, helping businesses identify strengths, address pain points, and build stronger relationships.

By tracking satisfaction and support metrics, companies can gauge customer loyalty, improve service quality, and make informed decisions that enhance overall customer satisfaction.

Chapter 4 outlines one key customer satisfaction and support metric every subscription business should monitor to ensure they are delivering value and fostering positive customer experiences.

Whilst there are various metrics which can provide insight on customer satisfaction and support, for the purpose of simplicity, ELEV8 recommends focusing on your **customer support tickets**.

4.1. Customer Support Tickets

Customer support tickets are requests or inquiries submitted by customers seeking assistance with a product or service. These tickets often include questions, issues, or complaints and are managed through a support system or help desk platform. Each ticket represents a unique customer interaction, tracking the entire support process from when a customer raises an issue to when it is resolved.

Why analyse your Customer Support Tickets?

- **Insight into Customer Needs and Pain Points:** Support tickets reveal recurring issues, common questions, and specific areas where customers struggle. This helps businesses identify pain points and prioritise improvements in products or services.
- **Enhance Customer Retention:** Prompt and helpful responses to support tickets can foster positive customer relationships and reduce churn. Customers who feel valued and supported are likely to remain loyal and engage positively with your brand.
- **Improved Team Efficiency:** Tracking and analysing support tickets allow you to monitor support performance, identify training needs, and improve workflows. Efficient support processes lead to quicker resolution times and a better customer experience.

Limitations of Customer Support Tickets:

- **Only Captures Explicit Issues:** Support tickets reflect issues reported by customers, but not all customers reach out when they encounter problems. Some may remain dissatisfied without submitting a ticket, leading to a skewed understanding of customer needs.
- **Doesn't Capture Root Causes:** While tickets reveal symptoms of a problem, they may not provide insights into the root causes, such as poor onboarding or unclear product features.
- **Focus on Negative Interactions:** Customer support tickets tend to reflect negative interactions, which can skew the perception of customer experience. Positive experiences often go unreported, creating an incomplete view of customer satisfaction.

Strategies to mitigate limitations

- Supplement support ticket data with **customer surveys** and **product usage analytics** to capture feedback from all users, not just those who submit tickets.
- Conduct **root cause analysis** on recurring ticket topics to identify underlying issues.
  Use **product analytics** to understand user behaviour leading up to common support requests and make targeted improvements.
- Pair ticket data with **positive feedback mechanisms** to balance feedback from positive and negative experiences.

CASE STUDY

CUSTOMER SUPPORT TICKETS

Background: A luxury pet food subscription service, offers gourmet, tailored meal plans for cats and dogs. As demand grew, they noticed an increase in customer support tickets.

Objective: The primary goal was to improve customer satisfaction by identifying and resolving recurring issues from support tickets, implementing proactive support measures, and refining service quality to uphold the brand's luxury reputation.

Initial Analysis

Support tickets were categorised to identify key themes:

1. **Customization Requests:** 40% of tickets involved specific meal plan adjustments (e.g. changing recipes or adjusting portion sizes).
2. **Delivery Issues:** 30% of tickets related to delivery concerns, including delays or incorrect orders.
3. **Ingredient Quality Questions:** 20% of tickets involved inquiries about ingredient sourcing, nutritional information, or allergen specifics.
4. **Other:** 10% were miscellaneous issues or general inquiries.

Insights and Challenges:

1. **Recurring Customization and Delivery Requests:** A large portion of tickets stemmed from recurring requests for meal adjustments and delivery issues, overloading the support team.
2. **High Expectations from Luxury Market:** As a luxury brand, customers expected quick, personalized, and proactive support, which meant slow responses could damage brand perception.
3. **Limited Insight into Unreported Issues:** Not all customers reached out with their concerns, so Paws & Feast needed additional tools to understand customer satisfaction beyond ticket data.

Strategic Actions

1. To tackle issues related to **customisation** and **delivery**, they implemented a **self-service portal** which allows customers to adjust meal preferences and delivery schedules independently; as well as sending **real-time updates** on delivery tracking.
2. They offered detailed **sourcing** and **quality information** on the website to reduce inquiries regarding ingredients. As well as creating **educational content** around pet nutrition, using this as a **lead magnet**.
3. Begun measuring **overall satisfaction and loyalty** for improvement insights, including **personalised follow-ups** with satisfaction surveys post support.

Results:

1. **Reduced Ticket Volume:** By implementing self-service customisation and proactive delivery updates, they decreased their monthly support ticket volume by **35%**.
2. **Improved Customer Satisfaction:** With faster response times and proactive ingredient transparency, their satisfaction score rose from **80%** to **92%**.
3. **Increased Retention:** Enhanced service quality and a proactive approach resulted in a **15% increase in customer retention**.

By streamlining **customisation**, providing proactive **delivery updates**, and enhancing **ingredient transparency**, the company **reduced** ticket volume and **elevated** the customer experience. This approach highlights the **importance** of efficient, proactive support in maintaining brand loyalty for premium subscription-based services.

CHAPTER 5

IMPLEMENTATION

8

5.1. Strategy tips

FIVE TIPS FOR EFFECTIVE IMPLEMENTATION

1. **Consistency** - You must remain consistent with data collection, recording data for a short period is unlikely to provide analytical insight; this is a long-term commitment. Before deciding on your strategy, ask yourself the question: *'Can I commit to this for 6 months*?' If the answer is no, you must rework your strategy. To ensure consistency, ELEV8 recommend:
    - **Quality over quantity**: It's important to select the core metrics that mean something to your business and where insights will ultimately move the dial. This doesn't mean spending 10 hours every week recording every metric you can, then ultimately getting frustrated with the process and stopping after several weeks. Instead, pick core metrics that you **will** be able to commit to recording for at least 6-9months.
    - **Frequency of collection**: Recording metrics more frequently is always going to be beneficial, however if recording weekly is too overbearing and you'll ultimately be frustrated and stop the process, then do not record weekly. Select a frequency of collection that aligns with your resource constraints, again consistency is key and the longer your business can commit to this, the better the insights.

2. **Baselining** - Without implementing baselining, it's hard to interpret whether your business has improved in given area. Use baselining to support goal setting, often in the form of KPIs, track your baseline and use this as a comparison to the most recent data collected. There is no one-size fits all approach to the frequency of updating baselines, however in high-growth businesses, aim to update baselines every 6-12 months - or when achieving goals and setting new KPIs.

3. **Setting goals (KPIs)** - Metrics can often be overwhelming, representing a vast amount of data. KPIs, derived from metrics, provide a set of key indicators that truly matter for your business success. They offer a clear picture of what needs to be tracked and prioritised.

4. **Cross-tabulation** - As demonstrated in case studies, it's crucial that your business uses this relatively simple method to draw insights across recorded metrics and begin to understand where relationships exist. This will enable you to make hypothesis across your metrics and begin to test these.

5. **Segmentation** - As shown across case studies, segmenting will lead to deeper and richer insights. In order to get the most from your metrics, segment where possible.

5.2. Potential Data Sources

Type of metric	Metric	Possible source(s)
Customer Acquisition & Revenue	CAC	Accounting software, CRM system, payment processing software, subscription management software.
	LTV	CRM system, subscription management software.
	MRR	Subscription management software, payment processing system (e.g. Stripe)
	ARPU	CRM System, Subscription management software, payment processing software
Customer Retention & Engagement	Churn	CRM system, subscription management software
	Retention Rate	CRM system, subscription management software
	Upgrade/ Downgrade Rate	CRM System, Subscription management software, payment processing software
	Active Users	Product usage data (e.g. app usage and website visits).
	Feature Usage	Product usage data (e.g. app usage and website visits).
Customer Satisfaction & Support	Customer Support Tickets	CRM system, social media interactions (e.g. messages and comments).

CHAPTER 6

ADDITIONAL RESOURCES

8

6.1. Formula cheat sheet

Customer Acquisition & Revenue

$$\boldsymbol{CAC = \frac{Total\ Customer\ Acquisition\ Costs}{Number\ of\ New\ Customers\ \ Acquired}}$$

$$\boldsymbol{LTV = ARPU \times ACL}$$

ARPU (Average Revenue Per User)
ACL (Average Customer Lifespan)

$$\boldsymbol{MRR = \#Subscribers \times ARPU}$$

ARPU (Average Revenue Per User)

$$\boldsymbol{ARPU = \frac{Total\ Revenue}{No.Customers}}$$

Customer Retention & Engagement

$$\boldsymbol{Retention\ Rate = \frac{Customers_e - New\ customers}{Customers_s}}$$

$Customers_s$ = *Total number of customers at the beginning of the period.*
$New\ customers$ = *Number of new customers who joined during the period*
$Customers_e$ = *The number of customers at the end of the period*

$$\boldsymbol{Churn = \frac{Total\ Customers\ Lost\ in\ Period}{Total\ Customers\ at\ Start\ of\ Period}}$$

$$\boldsymbol{Feature\ Usage = \frac{No.Users\ Using\ Feature}{Total\ Active\ Users}}$$

$$\boldsymbol{Upgrade\ Rate = \frac{No.Upgrades}{Total\ users\ at\ start\ of\ period}}$$

$$\boldsymbol{Downgrade\ Rate = \frac{No.Downgrades}{Total\ users\ at\ start\ of\ period}}$$

6.2. Metric Summary

	Metric	What is it?	Why is it important?	Limitations	Mitigating limitations
Customer Acquisition & Revenue	Customer Acquisition Cost	Cost of acquiring a new customer	- Improves business efficiency - Informs pricing strategy	- Attribution challenges - Ignores LTV - Limited visibility into acquisition	- Use marketing attribution channels - Analyse alongside LTV - Track by acquisition channel
	Customer Lifetime Value	Total revenue from a customer during their entire relationship with you	- Informs customer acquisition decisions - Identifies high value customers	- Ignores unexpected events - Focuses on averages - Doesn't consider costs	- Consistently track LTV - Segment customers - Calculate gross lifetime value
	Monthly Recurring Revenue	Predictable monthly income for subscription-based businesses.	- Tracks business health - Supports financial planning	- Limited visibility into future performance - Doesn't account for LTV	- Combine with leading metrics - Analyse alongside LTV
	Average Revenue Per User	Amount of revenue per user over a specific period	- Measures revenue efficiency - Benchmarks growth - Retention & Upselling impact	- Overlooks CAC - Ignores Churn & Retention - Can be inflated by short term gains	- Calculate alongside CAC and LTV - Use churn and retention data - Regularly update calculations
Customer Retention & Engagement	Churn Rate	Percentage of customers who stop doing business with you	- Identifies areas for improvement - Predicts future revenue - Benchmarks performance	- Limited visibility into why - Focuses on quantity, not quality - Doesn't account for reactivation	- Combine with other metrics - Segment churn - Track reactivation rates
	Retention Rate	Percentage of customers who keep doing business with you	- Cost efficiency - Increased LTV - Financial forecasting	- Doesn't explain why - Ignores revenue impact - Overlooks engagement	- Collect qualitative feedback - Track LTV - Measure customer engagement
	Upgrade/Downgrade Rate	Proportion of users who switch to a higher/lower subscription tier	- Customer satisfaction insights - Product & pricing strategy - Churn prevention	- Limited scope of insights - User segmentation ignored - Overemphasis on upgrades	- Collect qualitative feedback - Segment data - Consider satisfaction at all levels
	Active Users	Number of unique users engaging with the product/ service	- Active users are prime candidates for upselling/cross-selling opportunities. - Leading indicator of churn	- Doesn't measure quality - Ignores revenue contribution - Doesn't address churn directly	- Track engagement depth - Combine with revenue metrics - Prevent churn by identifying and reactivating inactive users.
	Feature Usage	How often specific features of a product/ service are used.	- Support product development decisions - Prevent underutilisation of features	- Usage vs Intent - Overlooks discovery issues - Doesn't address churn directly	- Collect qualitative feedback - Monitor discovery rates - Combine with churn and exit surveys.
Customer Satisfaction & Support:	Customer Support Tickets	Requests or inquiries submitted by customers seeking assistance with a product or service	- Insight into pain points - Enhance retention - Improved team efficiency	- Only captures explicit issues - Doesn't capture root causes - Focus on negative interactions	- Supplement with surveys - Conduct root cause analysis - Pair with positive feedback mechanisms

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