

The State of Customer Churn in 2024 Report

Powered By **Real-Life Data**

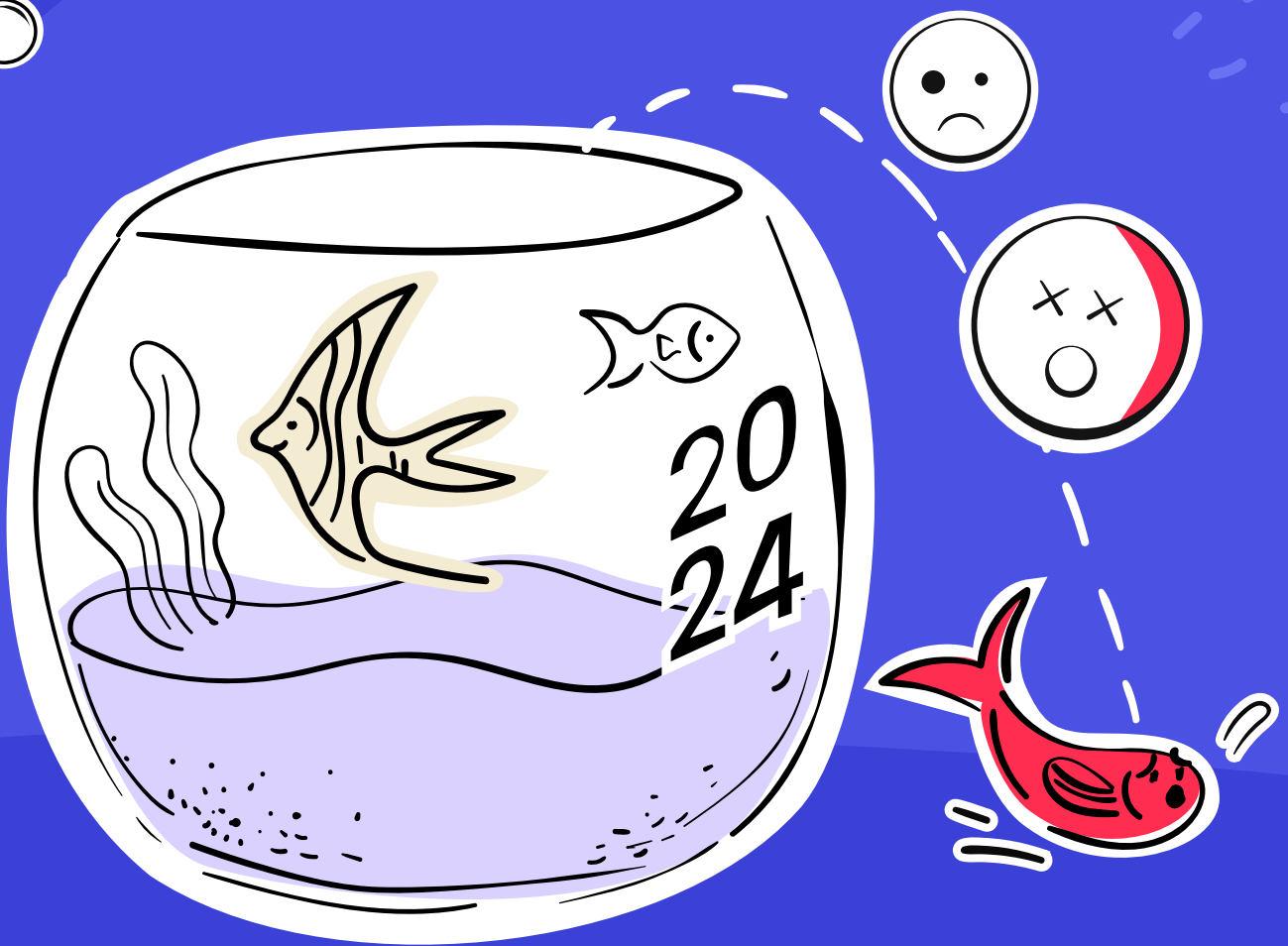


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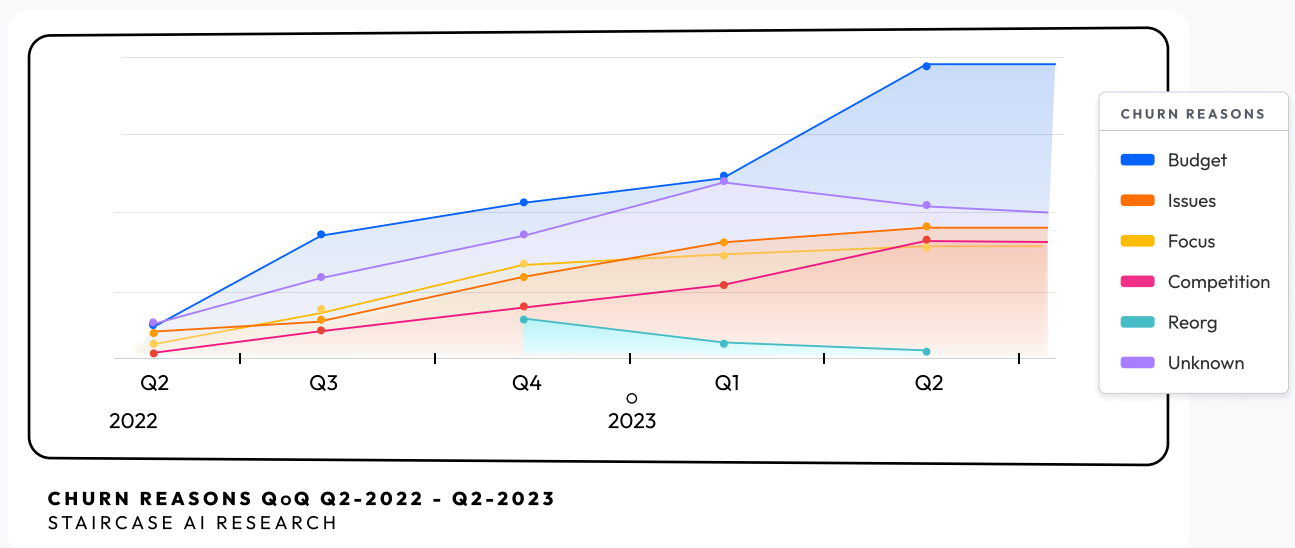


The Churn **Threat** is Real

While you may be acquiring new customers, a gratifying sensation that signifies business and product success, this might not automatically translate to growth in overall revenue. While new customers may be coming aboard, a significant amount of old ones can be wafting out the door.

As this report shows, churn was one of the biggest challenges for B2B businesses in 2023. This has become a common occurrence in today's challenging global economic times, with budget cuts galore and financial restraint being shown across the board. To make matters worse, customer success teams are being scrutinized, with CSMs being asked to do more with less.

Revenue leaders now need to understand that times are changing and so are the customers. As our research graph below shows, customer churn is on the rise, with the **top reason being budget cuts.**



The Staircase AI State of Customer Churn in 2024 report has uncovered today's biggest churn drivers by analyzing real data from thousands of accounts. It aims to answer the real questions behind these findings:

What are the underlying factors that influence churn?

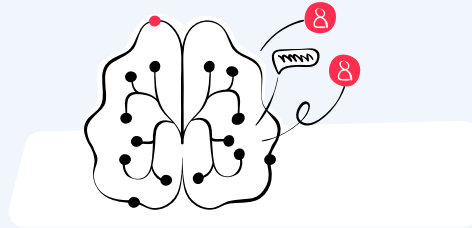
Why are things falling between the cracks?

What's the right retention strategy for 2023 and beyond?



Let's dive into it.

Methodology



This report was compiled with data that we collected between Q3 of 2022 and Q2 of 2023 from thousands of B2B accounts. It uncovers the most up-to-date trends and issues plaguing today's turbulent business landscape.

We used our own AI models, 12 advanced proprietary machine learning models to be precise, to build a powerful AI-powered customer data warehouse with the following analysis:

Sentiment scores

BY STAIRCASE AI

1-10 score that determines the customer account or the individual stakeholder sentiment at any given time and on every communication channel.

Engagement scores

BY STAIRCASE AI

1-10 score that determines customers' level of engagement, by comparing the customer to itself.

Multithreading scores

BY STAIRCASE AI

Helps understand the depth of account relationships by scoring the amount of **active** relationships we have in a given account.

Stakeholder relationships and KPIs

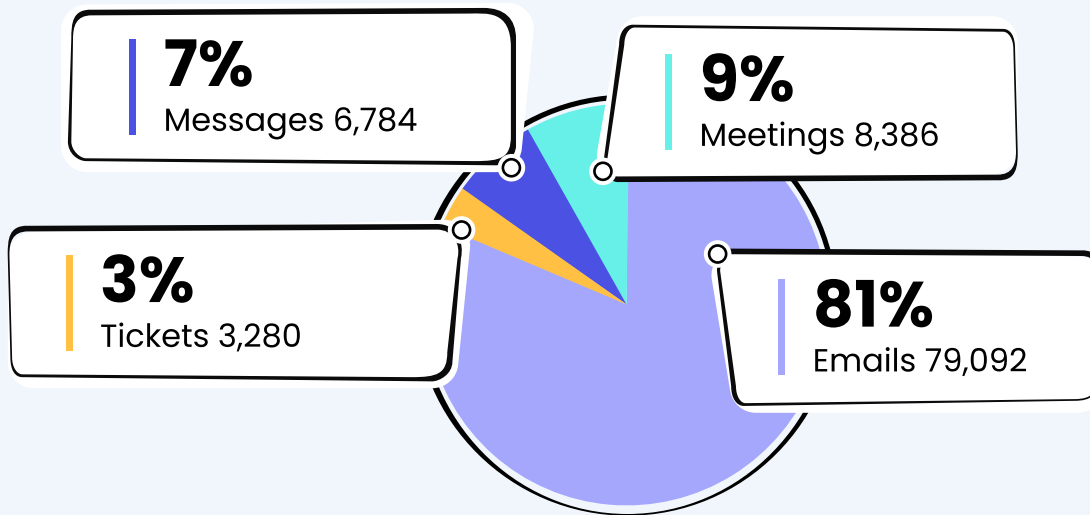
BY STAIRCASE AI

Helps us understand the **quality** of **active** relationships within the account. Since people are frequently changing jobs or getting laid off, relationship scores help understand the strength of a given relationship with any stakeholder.



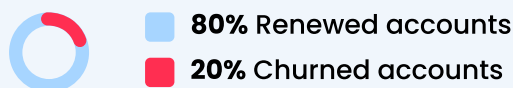
100,000+ Communications

The drill-down work included the scrutinizing of thousands of accounts with over 10,000 stakeholders in high-touch Enterprise environments, high ACV size and 100,000+ engagements.



NO. OF COMMUNICATIONS ANALYZED BY CHANNEL
STAIRCASE AI RESEARCH

Accounts communications analyzed



Key Findings

Here are some key findings that you need to know to get your business back on track and start reducing churn. These are pretty conclusive and compelling findings that leave little to the imagination.

1. Customers want strategic advisors (is QBR really dead?)

Renewed accounts had **2x more QBRs** than churned accounts. Interestingly, only **16%** actually had QBRs.

3. Multi-threading is becoming more and more crucial

Customer success teams must engage with multiple champions to keep the account alive.

2. There's really only one reason for churn - customers get no value

How can you gauge value beyond asking and surveying? Businesses need to use the most updated CX tools and AI-based continuous sentiment analysis, tools that are not limited to surveys.

4. Customers don't really talk much about their intention to churn

51% of customers just fire a cancellation notice out of the blue.

Based on 2023 Report

20%

Churn rate in Q2

102%

NRR

Healthy Benchmarks

5%

Churn rate in Q2

110%

NRR



Ori Entis

CEO & Co-Founder, Staircase AI

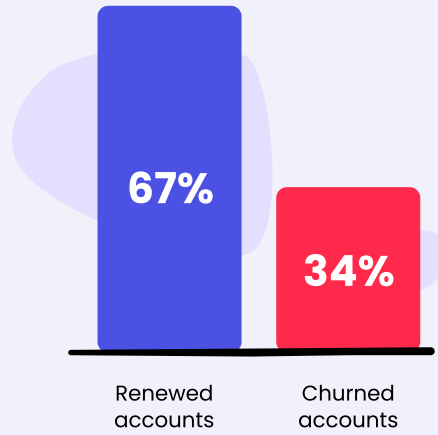
"The multi-threading methodology is proving effective and necessary to fight churn during these challenging times. Multiple relationships and touch points correlate to stronger retention and expansion. We've known this intuitively for a long time, but we now have data to back this claim. The new challenge is now how to do this at scale as headcount is scrutinized. This is where technology customized for this use case becomes a critical revenue driver."

The Results

Customers expect strategic advisors, not just service providers.

Renewed accounts had 2x more QBRs than churned accounts, which clearly indicates that customers today expect and demand extra value.

The QBR should focus on providing customers with value, while showing them how their efficiency has improved by highlighting the quantified value your product is bringing to the table. Go beyond the generic templates.



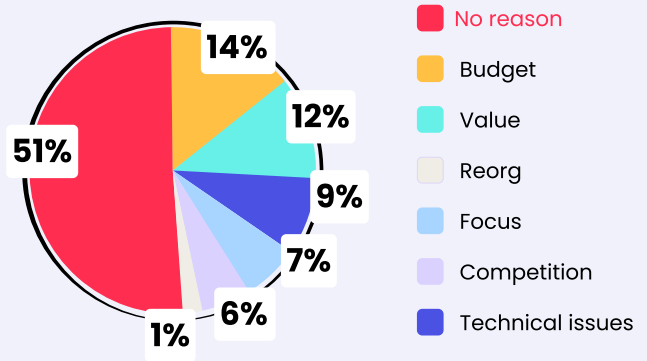
Pro tip

QBR should be a summary of all recent activity rather than a bland report. Show how things have improved since the last one with metrics. Create benchmarks and comparisons with the competition.
Focus on communication and talk in your customers language.

More than half of the customers don't talk, they just churn.

While the number one churn reason is the budget, as we're seeing the market slowdown, 51% of customers abruptly sent a cancellation notice with no prior warning signs or specific reasons.

CHURN REASONS ANALYSIS
STAIRCASE AI RESEARCH



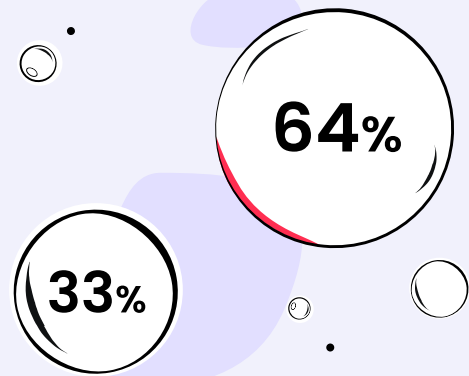
Pro tip

Internal metrics and KPIs don't necessarily match customers KPIs with your product. Quantify and build the success plan in the customers' own language using their own KPIs.
Success plans should be a communal place.

Multi-threading might be a long word, but you better start using it.

Our research also showed conclusive results on the multi-threaded approach.

Only 33% of the churned accounts were multi-threaded, while 64% of the renewing accounts were multi-threaded. B2B businesses need to detect and nurture multiple champions for best results in today's turbulent economic waters. Customer success is a bonafide team sport.



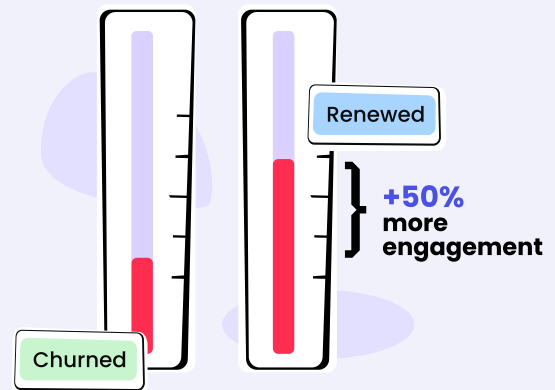
Pro tip

Customers churn due to reorgs or champion changes that are rarely discovered on time, if at all. When your champion leaves, there's no one to keep you updated. Maintain your stakeholder KPI hygiene. **Make sure you're always getting stakeholder change alerts.**

Engaged accounts are more likely to stick

Multiple touchpoints are becoming more and more crucial when it comes to avoiding churn.

Customers that renewed were 50% more engaged than those who churned*. Renewed accounts were 33% more engaged in the previous quarter than churned accounts, so more often than not, engagement is a key renewal indicator.



***LOOKING AT THE QUARTER BEFORE THE RENEWAL DATE**

Pro tip

With today's sudden market changes, global economic recession, and other political instabilities, it's true now more than ever - the more eyeballs on you, the more it keeps your customers engaged. **Set playbooks and alerts to get notified on accounts that are below a certain threshold per month/quarter.**

Best Practices for Churn Friction Reduction

Churn can be a scary thing for many B2B businesses today and rightly so. But there are a bunch of best practices that can help you steer clear of trouble. While churn can't be eradicated altogether, you can do a lot to minimize it significantly.

1. Detect and identify churn signals before the damage is done

These customer signals often fly below the radar and go undetected. The customer data needs to be extracted from the various communication channels in real-time so that the playbook can be activated on time and CSMs can jump in to resolve any underlying issues with the customer account.

Some common churn signals are:

- Sudden drops (or spikes) in the customer's engagement
- Detecting negative sentiment in the communications
- Stakeholder changes - champions or decision makers move or are dismissed from their roles altogether
- Fluctuations in the number of support tickets being opened
- Chat frequency and changes in the customer's response time

2. Adopt a proactive and assertive approach with goals and limit alerts

Start monitoring customer sentiment and relationship changes on an ongoing basis rather than waiting for your QBR or yearly renewal time. KPIs like engagement frequency and sentiment scores should be constantly monitored to detect any abrupt dips that can snowball into a churn situation.

3. Learn from your customer data warehouse

With growing communication channels in play, customer data is piling up (and missed). The more you collect, the more accurate your insights will be. But the reality is that most companies only reach a fraction of the actual communication. Using AI-powered tools eliminates reliance on manual recording trust, and unlocks true automation.

4. Keep track of your customers' budgets and financial status

In today's internet era, there are no secrets. For example, if your customer has recently laid off 200 employees, you need to brace yourself for impact. This can involve a well-planned QBR, demonstrated ROI, and maybe even a better customized offer to keep them on board.

Churn Can Beat You Down, But Not All Is Lost



The bottom line is that customers churn as soon as they stop getting value from your product. The product may not answer their needs, may not be integrated with the right stakeholders, or may not have evolved according to specific use cases.

Whatever the reason may be, churn happens supposedly out of the blue more than half of the time. But there are many churn signals that cannot be ignored anymore. CS and revenue executives need to be on top of things when it comes to customer data and churn signals, while also tracking relationship changes and strength within accounts. Not doing so can prove disastrous because QoQ churn is on the rise in 2023 and things are not going to get better anytime soon.

Downsizing and streamlining operations is now a reality and 2024 isn't looking like a bounce-back year, to say the least. Keeping your customers' value up and relationships strong is your best bet in this kind of situation. This can help you create stickier accounts with multiple champions and stakeholders in case things go south. The more points of contact and engagement you create, the better your chances are of avoiding churn.

Churn butter, not customers.



Be Ahead of the Curve and Leverage the Latest AI to Reach **Exceptional Growth and Predict Churn in Advance.**

Talk to our experts

