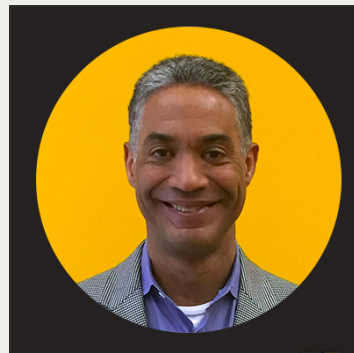# Welcome Panelists

SEAMUS GREENE
Head of Recurring Revenue Operations - Adobe
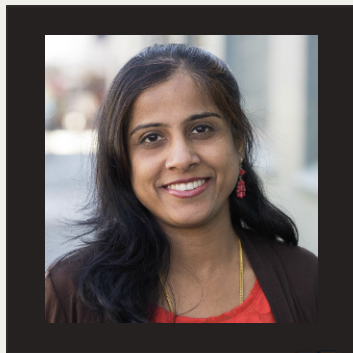
PREETHI SRINIVASAN
VP Finance - CrowdFlower

FRANCOIS THROWER
VP Finance - AnyPerk

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Some Context

	Intacct	Adobe	CrowdFlower	ANYPERK
Target Market	SMB	Consumer, SMB and Enterprise	SMB and Enterprise	SMB
Subscription Duration	Annual	Consumer = Mo./Annual. SMB/Enterprise = Annual/ Multiyear	Annual	Annual
Monthly Subscription	$1,000-$10,000	Consumer = < $100. SMB = $1,000 - $10,000. Enterprise = > $10,000	$3,000-$30,000	$1,000-$10,000
Customer Count	Tens of Thousands	Consumer = Millions. SMB/Enterprise = Tens of Thousands	Hundreds	Thousands

Baseline Calculations

- **How do you define gross & net retention?**

- **What is included & excluded in the numerator & denominator for your renewal calculation and why?**

Monthly Baseline Calculations

- **Intacct All in Measure = Net Change in CMRR**
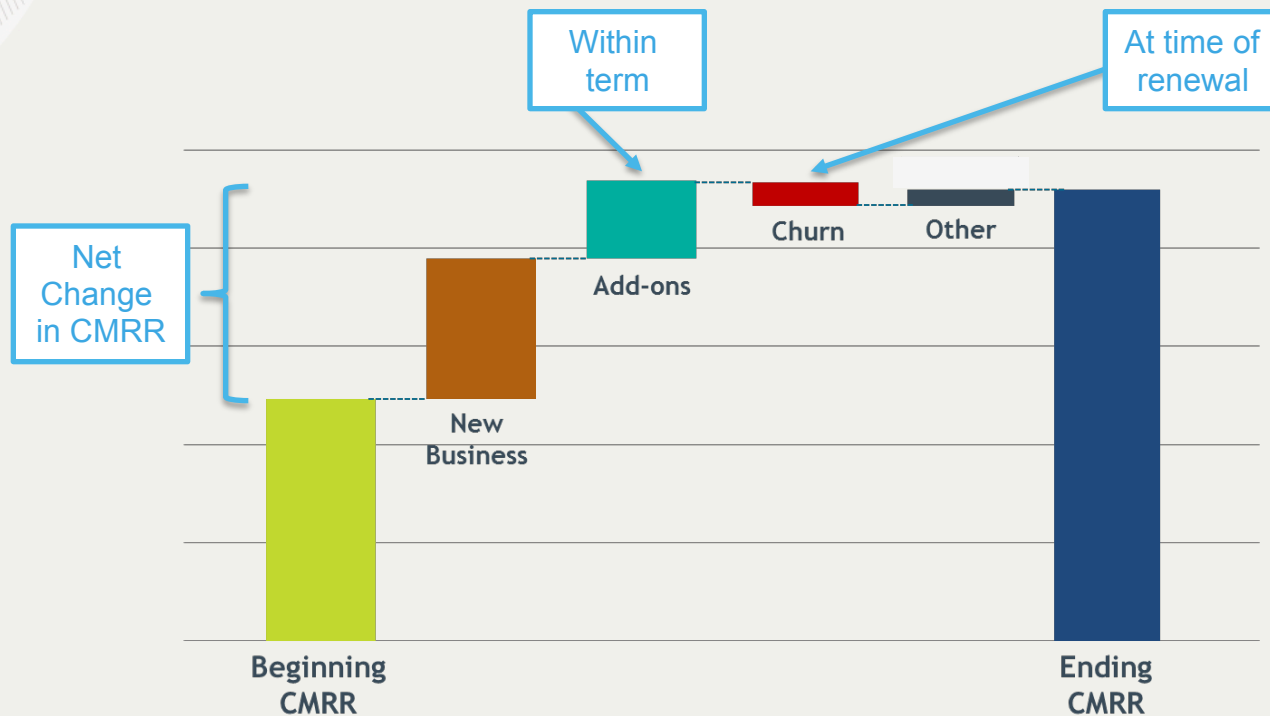
Monthly Baseline Calculations

- **Intacct Churn Calculations**

$$\text{Gross Churn} = \frac{\$ \text{ Renewed}}{\text{Expected Renewal } \$}$$

$$\text{Net Churn} = \frac{\$ \text{ Renewed} + \text{Add-ons}}{\text{Expected Renewal } \$}$$

Expected Renewal $ = last renewal + all in term additions; i.e. CMRR @ renewal date

Add-ons = all additions (users, upsell, expansions) within a contract term

Monthly Baseline Calculations

AnyPerk retention calculations

$\$$ Gross Churn = $\dfrac{\text{Terminated MRR}}{\text{Beginning MRR}}$

\# Customer Churn = $\dfrac{\text{Terminating Customers}}{\text{Beginning Customers}}$

$\$$ Net Churn = $\dfrac{\text{Terminating MRR + Upsell + Net User Growth + Cross-sell}}{\text{Beginning MRR}}$

Baseline Calculations

- **CrowdFlower Retention Calculations**

- **Gross Retention** :

$$\frac{\text{Beginning ARR} - (\text{ARR Churn} + \text{ARR Downsell})}{\text{Beginning ARR}}$$

We exclude upsells in arriving at our gross retention as it helps us understand what could we have done better to keep our existing customers satisfied and continue using our product. We also separate full churns from partial churns (i.e., downsells) to analyze the root causes of churn types. Helps us work with Product to drive product enhancements.

- **Net Retention** :

$$\frac{\text{Beginning ARR} - [(\text{ARR Churn} + \text{ARR Downsell}) + \text{ARR Upsell})]}{\text{Beginning ARR}}$$

We include Upsell to our net retention to determine the additional revenue from existing customers that makes up Top line revenue. This shows the contribution to net new revenue from Customer Success. Assists our collaboration with Sales in determining new logos/bookings that becomes part of their quota

CrowdFlower

Baseline Calculations at Adobe

- **"ARR WALK" Concept**

- **What KPIs are on your weekly dashboard?**

- **Have your investors caused you to change the performance metrics you track?**

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Key KPIs

- **Weekly Dashboard**

- Net ARR Growth Per Major Product a primary measure per Q and FY

- "Attrition Budget" key component of Net Growth Plan

- "Attrition" Defined as any loss in ARR value at Customer/Product Level in the measured period:
  - Cancellation
  - Down-sell
  - Overdue Renewal (Push) at Q-End
  - Migration to Non-ARR Licensing Type

- Performance against Attrition Budget Outlooked across Quarter

- Complete ARR Walk Assembled for Q-End Reporting

Key KPIs
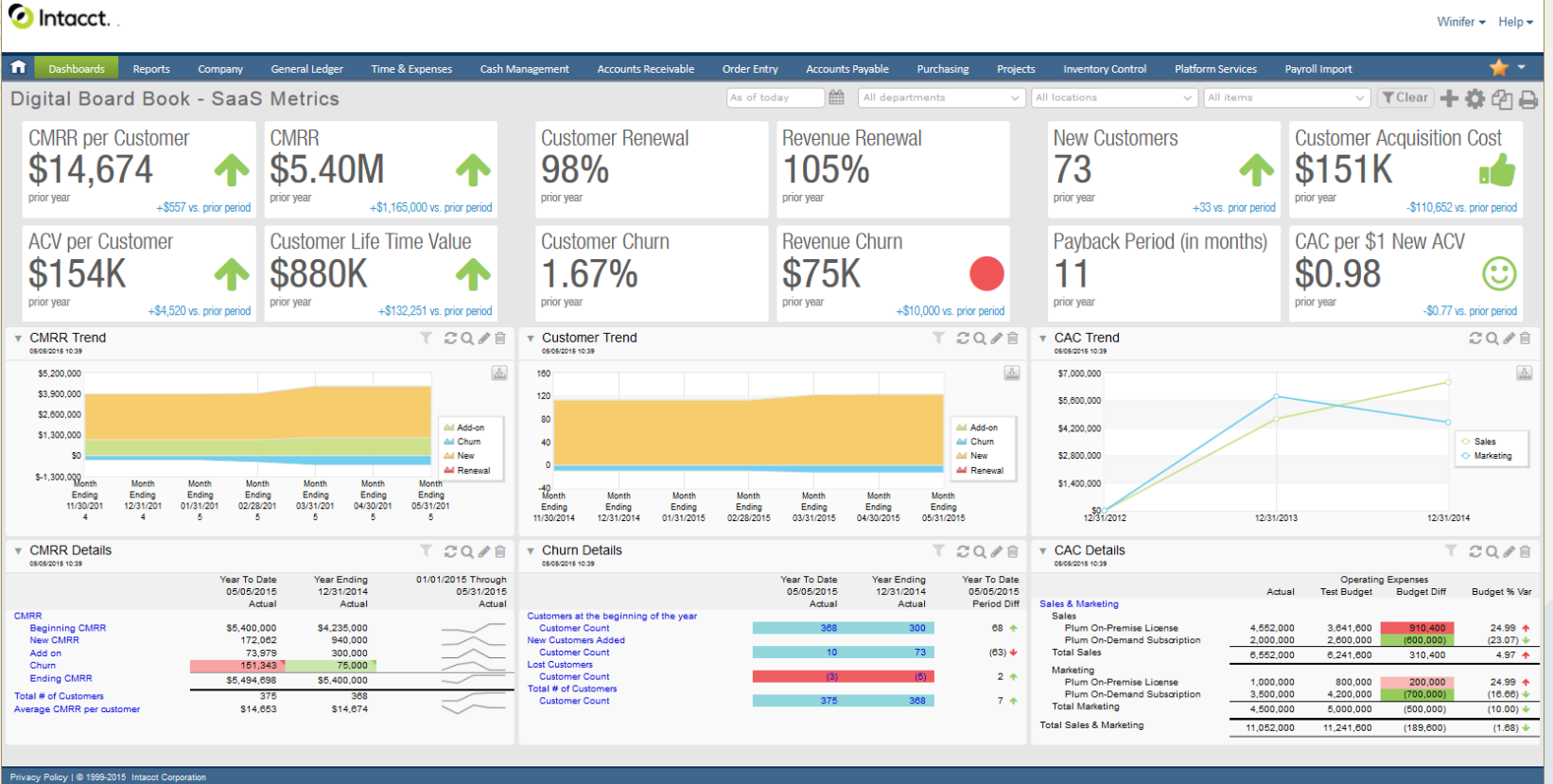
Key KPI's

Bookings

Net Revenue churn

ARR

MRR

SAAS Magic Number

LTV

Accounts by CSM
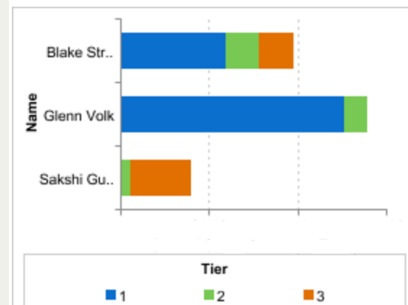
Renewal Pipeline
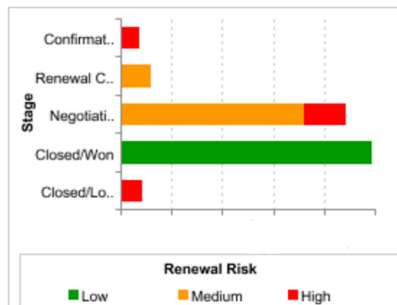
Upsell Pipeline
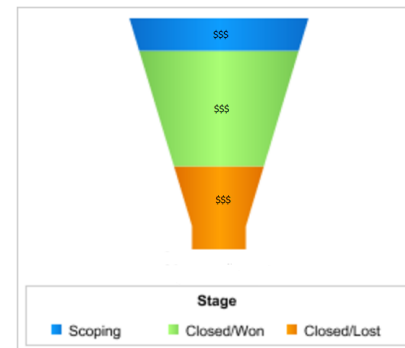
New Bookings MTD
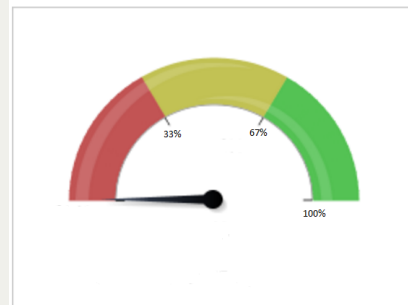
New Bookings QTD

Key KPIs

Customers by CSM

Total Account

- Georges S: 75
- Sue F: 75
- Matt X: 75
- John S: 75

Total 300

Record Count

CS Code Red Cases

Case Owner	Account Name	Sum Terminating MRR
Georges S	Gainsight	$ XX.XX
Kristin G	Gainsight	$ XX.XX
John P	Gainsight	$ XX.XX
July M	Gainsight	$ XX.XX
Jack F	Gainsight	$ XX.XX
Elliot P	Gainsight	$ XX.XX
Nicole Z	Gainsight	$ XX.XX
Monica Q	Gainsight	$ XX.XX
Donal T	Gainsight	$ XX.XX
Edward B	Gainsight	$ XX.XX
Total		**$ XXXX K**

CS Code Red Cases

Sum Terminating MRR

- Budget out
- Delinquent churn
- No local perks
- Pilot ended
- Closed business
- Failed launch
- No local perks
- None provided
- Company Acquired
- Low Usage
- Not seeing value

Termination Units MoM

Record Count / Termination Effective Date
(3/31/2016, 2/29/2016, 1/31/2016, 12/31/2016, 11/30/2016, 10/31/2016)

CS Renewal Next 90 days

Renewal date	Account Name	Sum of commit MRR
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
3/4/2016	Gainsight	$ XX.XX
Total		**$ XXXX K**

Termination MRR MoM

Sum of Terminating MRR (Thousands) / Termination Effective Date
(3/31/2016, 2/29/2016, 1/31/2016)

www.salesforce.com

Renewals

- **Who is responsible for renewals?**

- **Roles & Responsibilities?**
- **Structure of the organization?**
- **Charter of the team?**
- **Process for renewals?**

CS Team Role and Responsibilities

- **Structure** Team of 12 comprising of VP, Customer Success Managers, Customer Success Engineers and operations staff

- **Role** Customer Success Managers manage renewals, Customer Success Engineers are Technical support partners and operations staff assist with strategic planning, customer support

- **Charter** Successful onboarding, Training, Engagement and Nurture of the account throughout the contract period to renewal, and create environment for potential upsell

- **Process** Connect with Customer 30-60 days before Renewal followed by negotiations and coordination with Finance org at both the companies for contract execution

CrowdFlower

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Renewal Responsibilities

Digital Marketing Enterprise Example (~1Bn ARR)

Customers

Enterprise AEs | **Renewals Specialists**

CSMs

AM Operations

Recurring Revenue Ops

- **Enterprise Sales Teams** & **Renewals Specialists** Primarily Accountable for Renewal Performance:
  - Enterprise AEs carry Renewal Quota in M1 as part of overall bookings quota
  - Renewals Specialists cover lower mid-market

- **Customer Success Managers** carry Overlay Quota:
  - M1 on Renewal Rate (Retention)
  - M2 on growth objectives

- **AM Operations** Support CSMs & Sales
  - Onboarding, training, retention marketing, usage, adoption, customer analytics, attrition root-cause-analysis and insights
  - BDOs tied to operational success criteria

- **Recurring Revenue Operations**
  - Retention financial planning, RBoB Maintenance & Distribution, $ performance tracking & reporting, unified retention outlook.

Who is responsible for renewals

- Team
  - VP Customer Success
  - 3 Customer Success Managers
  - 1 Platform Experience Associate

- Chartered to proactively ensure customer success through:
  - Feature enhancements
  - Training
  - Customization
  - Issue resolution

- Renewal Process
  - 90 Days in advance notification of contract renewal
  - New economics and terms discussed
  - Finance engaged
  - New contract agreed

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Renewal Responsibilities

- **Who is responsible?**

  - Dedicated renewal team
  - Stratified by account size

- **Details**

  - Own the account starting with 1st renewal
  - Renewal, price increases & all add-ons
  - A true sales role
  - Quote sent minimum 60 days before renewal; close by renewal date
  - Part of a broader Customer Success team (community; best practice)

Intacct.

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Defining Success

- **How does a Customer Success team define success?**

- **Team KPIs**
- **Individual Success**

CS Team financial success

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- Key financial targets:
  - Gross churn < 1%
  - Utilization increasing +5%

- CSM Measurement
  - Gross Churn <1%
  - Net Churn = 0%
  - Utilization + 5% increase
  - Cross-sell – no quota with 10% MRR bonus
  - Monthly check-ins
  - QBRs
  - On-site visits
  - Customer events

Adobe®

- AEs = ACV Quota Bookings
  - (New, Growth, Renewal)

- CSMs = Renewal Bookings
  - (Renewal Rate) in Named Accs

- Renewal Specialists / Recurring Revenue Ops
  - Performance Against Attrition Budget
  - Q1 Attrition Budget = $20M
  - Q1 Attrition Actual = $18M
  - Performance = 20/18 = 111%

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Forecasting

- **Walk me through your quarterly retention/renewal/expansion forecasting process?**

- **Is there alignment between "Finance" KPIs and the CS / Renewal Team KPIs?**

- **War stories of our biggest mistakes**

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Forecasting

- Plan Annually, Forecast Monthly
- Evaluate Churn Risk
- Explore upsell opportunities to feed into forecast

Forecasting

- **Monte Carlo Simulation**

- 10 Indicators of potential churn

  - Billing Churn
  - Code Red cases
  - Utilization
  - Issue raised
  - Value Proposition ROI

  - Termination notification
  - Customer financial condition
  - Renewal event
  - General economy
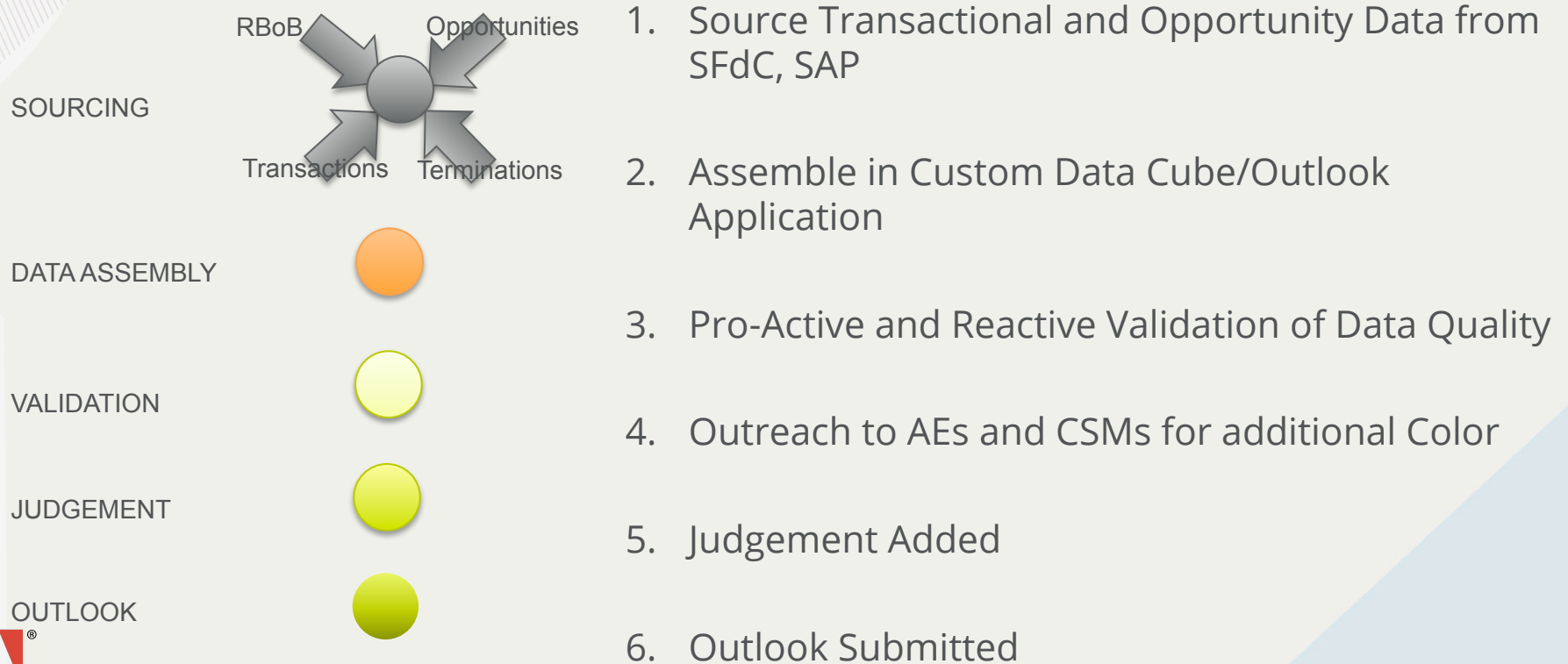 - Change in ownership structure

- 5 Stages of termination risk with associated probabilities of loss

PROBABILITY OF LOSS — 0.5% — 1% — 25% — 60% — 90%

- 3 Potential retention outcomes – minimum, maximum, mode

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Forecasting: Attrition Outlook : Weekly Cycle

Cross-Team Consolidation for One Enterprise Attrition Outlook

SOURCING

RBoB   Opportunities

Transactions   Terminations

DATA ASSEMBLY

VALIDATION

JUDGEMENT

OUTLOOK

1. Source Transactional and Opportunity Data from SFdC, SAP

2. Assemble in Custom Data Cube/Outlook Application

3. Pro-Active and Reactive Validation of Data Quality

4. Outreach to AEs and CSMs for additional Color
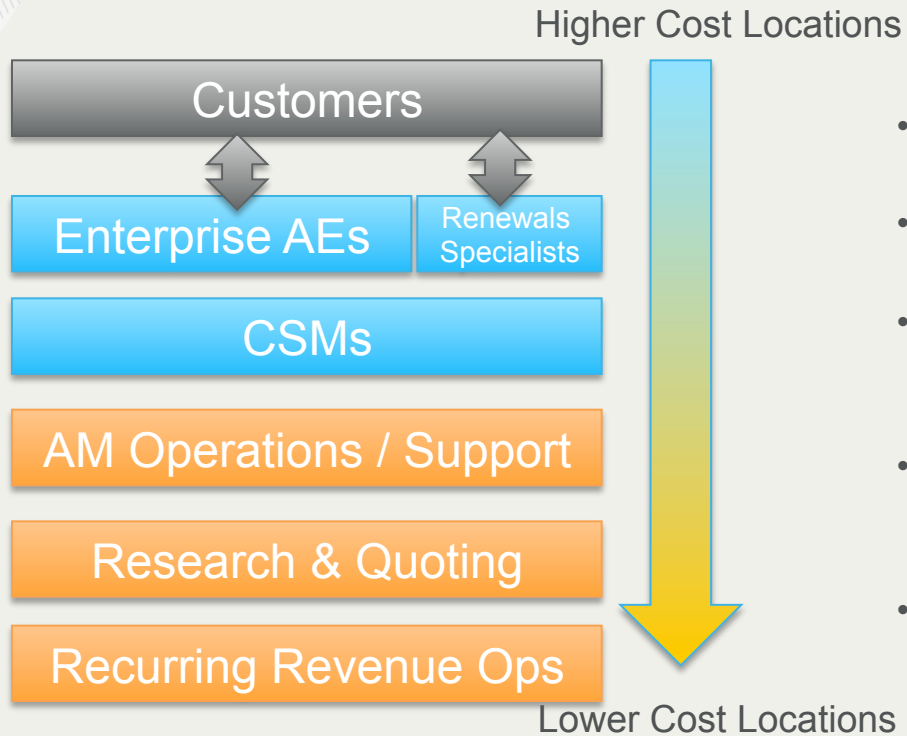
5. Judgement Added

6. Outlook Submitted

Cost Structure

- **How do you measure / allocate renewal cost?**

Cost Structure

Role Specialization & Cost Optimization in the Ecosystem

Higher Cost Locations

Customers

Enterprise AEs

Renewals Specialists

CSMs

AM Operations / Support

Research & Quoting

Recurring Revenue Ops

Lower Cost Locations

- Evolving Specialization & Eonomies of Scale
- Direct customer facing teams collocated with customer base
- Mid-cost onshore locations preferred for Renewals Specialist Teams
- Centers of Excellence for Operations, Research, Quoting in LCL
- Significantly reduced/eliminated vendor costs as we scaled into LCLs

Renewal Cost Structure

Capture	Accounting	Measurement
• Separate department • Fully allocated cost • All Customer Success functions	• Cost of Sales	• Excluded from CAC • Measured as a % of Revenue • Target comes from CLV model • New initiatives must have identified payback

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Questions