

The Biggest Reasons SaaS Customers Churn

by Dennis Hammer

Churn is one of the most frustrating parts of running a SaaS business.

You pour your soul into acquiring customers, spend time and money onboarding, and continually improve the product for them. So when they suddenly cancel their service, you feel like you wasted all that work.

It's important to focus on customer retention as early as possible. If you neglect to address churn, you'll hamstring your company's growth.

In this article, we'll talk about the common reasons customers churn.

1. Poor Customer Service
2. Poor Fit Customer
3. Incomplete Onboarding

4. Little or No Ongoing Customer Success
5. Product Problems
6. Poor Pricing
7. Natural Causes

Ask yourself if any of these triggers cause your customers to churn.

1. Poor Customer Service

In a perfect world, you wouldn't have to perform any customer service at all. Customers would sign up on your website and use your product without your involvement.

Unfortunately, it rarely works like that. Don't forget: The last "S" in "SaaS" stands for *service*.

"Many companies think of customer service as a cost to be minimized, rather than an investment to be maximized," [says Len Markidan](#), head of marketing at Groove. "Here's the issue with that: If you think of support as a cost center, then it will be."

[According to Oracle](#), nearly 9 in 10 customers have abandoned a business due to poor customer service. And news of a bad experience [reaches more than twice as many people](#).

FACT

News of bad customer service reaches more than **twice as many** ears as praise for a good service experience.



The Takeaway

Take the time to address unhappy customers and do everything in your power to remedy the situation. It's not only worth keeping their business, but also avoiding any negative word of mouth exposure.

Source: White House Office of Consumer Affairs

That means that if you don't make customer service a priority, it will actually *cost you customers*.

Fortunately, customer service isn't just an expense. That same Oracle study found that 86% of customers are willing to pay more for a better customer experience.

Even better: Investing in customer service doesn't just fight churn. It also attracts new customers and lets you raise your product's price point.

2. Poor Fit Customer

Unless you're Facebook, your ideal customer isn't "everyone." If you waste time attracting and converting the wrong audience, they'll inevitably leave when your product doesn't meet their expectations.

Nevertheless, some poor-fit customers will end up using your SaaS. Why does this happen?

- They didn't understand their own needs. There's not much you can do about this.
- They didn't understand your product. This means you failed to convey your product's purpose and value. This is entirely your fault.

"The best way to avoid this type of churn is to understand your ideal buyer persona in as much depth as possible," [recommends Kate Harvey](#), manager at Chargify. "By using surveys and interviews to hone-in on their needs, you can turn your website into the ultimate self-selection tool: broadcasting a clear, defined message, designed to appeal exclusively to your buyer personas."

3. Incomplete Onboarding

A lot of startups fail to give onboarding the attention it deserves. They think giving their customers access to their product is enough.

But if you want your users to stick around and pay you every month, you've got to hold their hands a bit more. This is called the onboarding process.

Your onboarding process should walk a new user, step-by-step, to the moment of activation. Activation is the point where your users first experience real value with the product – their [desired outcome](#).

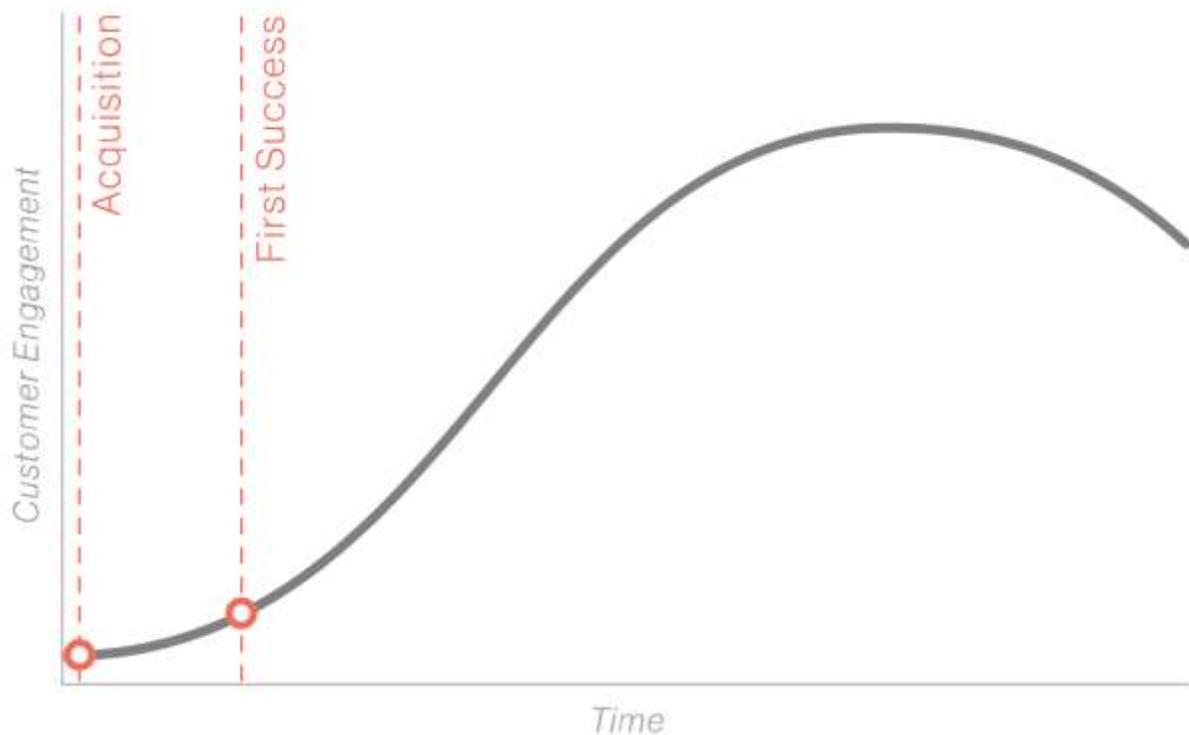


Image: groovehq.com

For instance, let's say you sell a social media scheduling tool. Onboarding wouldn't end when a new user logs into their account and integrates their social media profiles.

Onboarding would end once the new user schedules their first social media post, or maybe not until the scheduled post publishes. This is when they experience some real value from the product.

That moment of first value will depend on your product and your customer. If you sell a high-touch enterprise product, the moment of first value may be different for each user. (In these cases, you would employ a customer success team to make sure customers realize success.)

If your users fail to experience that moment of first value quickly, they'll likely churn.

Further, your users are more sensitive to problems before that moment. They won't forgive your product's inevitable problems and bugs unless they're getting some value out of it.

So if you want to improve your retention rate, make sure you know what the customer finds valuable (through conversations with your users) and walk them right up to that valuable thing as quickly as possible.

4. Little or No Ongoing Customer Success

Your onboarding process should take your customers to the moment they first realize value with the product, but that doesn't guarantee they'll stick with your product for months or years.

Your customers' needs will change over time as their businesses grow. Their desired outcome for your product *today* might not match their desired outcome *next month*, and it surely won't match their desired outcome *next year*.

The practice of helping your customers achieve success over time is called [customer success](#). By understanding their goals and taking steps to helping them achieve their evolving desired outcome, you can proactively battle churn.

"The customer success manager is more than the traditional account manager," [says SaaS consultant Nils Vinje](#). "Their job is to help the customer realize value from the product. They do this by onboarding the customer, providing information and content that solves their problems, generating goals through quarterly business reviews, and helping the customer achieve those goals."

Customer success isn't new, but it's found popularity among subscription-based startups. All companies want their customer to be successful, but SaaS businesses need their customers to be successful *regularly* and *repeatedly* so they'll pay every month.

5. Product Problems

Bugs and downtime are unavoidable parts of running a SaaS, but some customers are more sensitive to them than others. If your product negatively impacts a customer, you might drive them to a competitor.

Combat this by acknowledging the problems to your customers, communicating how you'll fix it, refunding them for lost time, and helping them repair any damage you caused.

If you want to see how you should behave when you have product problems, [check out how Buffer responded to a security breach](#).

6. Poor Pricing

Pricing your SaaS is tricky. Even if your customers find your product valuable, they could still churn if they don't feel the value is worth the price.

You don't want to charge more than your customer can afford, but you also don't want to charge so little you undervalue your product and stunt your revenue.

Interestingly, customers are [more likely to churn when they pay less](#) for a product because people place a higher value on more expensive products. As price increases, churn decreases.

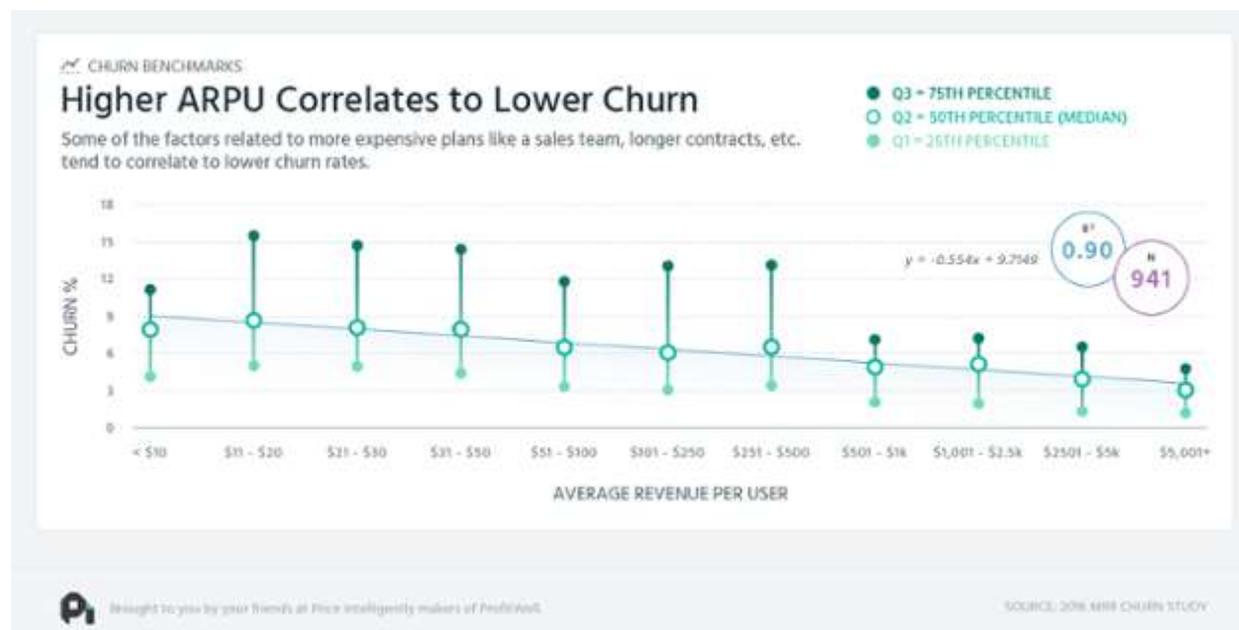


Image: profitwill.com

How do you find the perfect price that maximizes revenue and minimizes churn? By experimenting with price points and pricing models. Like most SaaS companies, you'll probably want to offer tiered pricing plans so customers can choose their service level.

7. Natural Causes

Sometimes customers will churn through no fault of your own. You can't always avoid these causes, but you can take steps to limit their impact on your SaaS.

Pivot / New Market

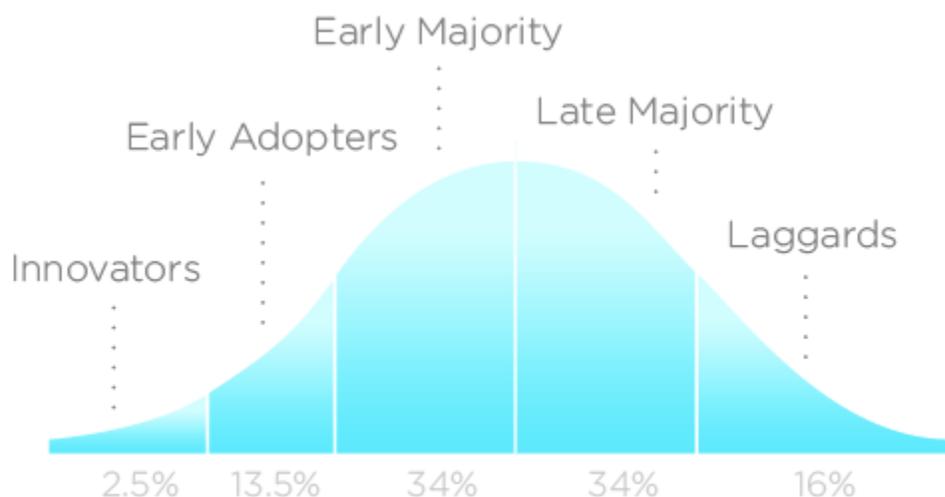
If you pivot your business model or adjust your product to suit a new type of customer, it's likely some of your existing customers will migrate elsewhere.

Customers sometimes churn just because the product doesn't *feel* like it's made for them, even if the features don't change. For instance, you might lose your small business customers if you change your marketing to appeal to enterprise businesses.

Product Refinement

Every technology product goes through a [predictable lifecycle](#). The first customers are innovators who like playing with new tech, even if there's risk involved. Then come the early adopters who aren't as risk-tolerating, but they have significant influence. Next come the early

and late majority of users, and finally the laggards who need to be forced to change to a new product.



INNOVATION ADOPTION LIFECYCLE

As you refine your product and attract more mid-market customers, you'll lose those early adopters and innovators. This isn't really a problem because it's expected, but it's a type of churn.

Loss of the Champion

In some cases, you may have a champion in your customer's organization that pushes to use your product. If that advocate leaves their company (or even just their role), the customer might churn, even if you've done a fabulous job.

The best way to avoid this type of churn is to make multiple connections within your customers' organizations to "breed" advocates. You should also check regularly to make sure you're meeting their needs.

Cash Flow Problems

Sometimes a customer just can't afford your SaaS. There's not much you can do about that. You could bestow some free time with your SaaS to help them get back on their feet and pay again in the future, but only if you think there's a reasonable chance they'll survive and your costs to keep their account are low.

In other cases, customers *choose* not to spend money on your product because they don't view you as a priority. You can combat this type of churn by making yourself a big priority to your customers. Improve your product so it becomes an indispensable part of their business.

The Key to Fighting Customer Churn

Winning back a churned customer isn't impossible, but it's difficult. There's [a lot you can do](#) to bring them back, but your strategy to fight churn shouldn't depend on this.

In this article, we discussed the biggest reasons your customers churn, but you might have others. Reducing churn means figuring out *why* customers churn (the root causes) and then adjusting your software and/or your service to compensate. Proactivity is key.

Want some insight on your retention and churn numbers? Join our [10xU community](#) of company-builders, advisors, investors, and potential customers.