

# Increasing Renewal Rates to Maximize your Company's Growth and Success



---

Mass Technology Leadership  
Council SaaS Breakfast  
Seminar:

June 23, 2009

Peter Cohen

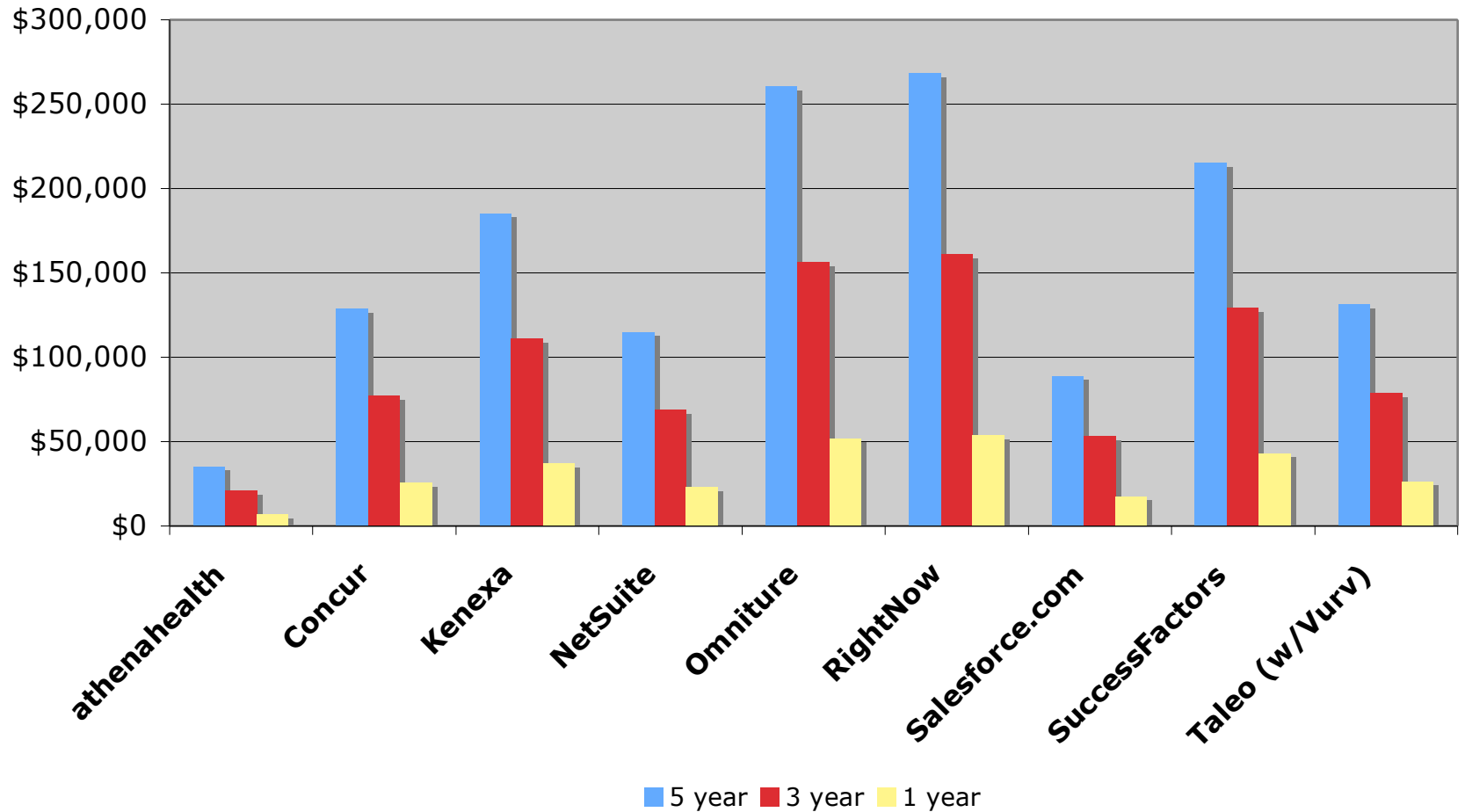
SaaS Marketing Strategy Advisors

[www.saasmarketingstrategy.com](http://www.saasmarketingstrategy.com)

SaaS Marketing Strategy Advisors

- all rights reserved

## Lifetime Customer Revenue 5 year, 3 year, 1 year customer lifetime



# Lifetime Customer Revenue



**Average customer revenue per period \* term of customer life**

salesforce.com FY 2009:

- \$985 million in FY 2009 annual subscription revenue/55,400 customers = **\$17,780 average annual revenue per customer**
- \$17,780 annual revenue per customer \* **3 year customer lifetime = \$53,340 lifetime customer revenue.**
- \$17,780 annual revenue per customer \* **5 year customer lifetime = \$88,900 lifetime customer revenue.**

# How is “renewal” measured?



- Number of customers or revenues?
- Customers up for renewal or all customers?
- Customers lost during the period / total customers at beginning of the period
  - 15 lost/100 at beginning of year = 85% renewal rate
- Customer lost during the period / total customers at beginning of the period *plus new customers*
  - 15 lost/(100 at beginning + 50 new) = 90% renewal

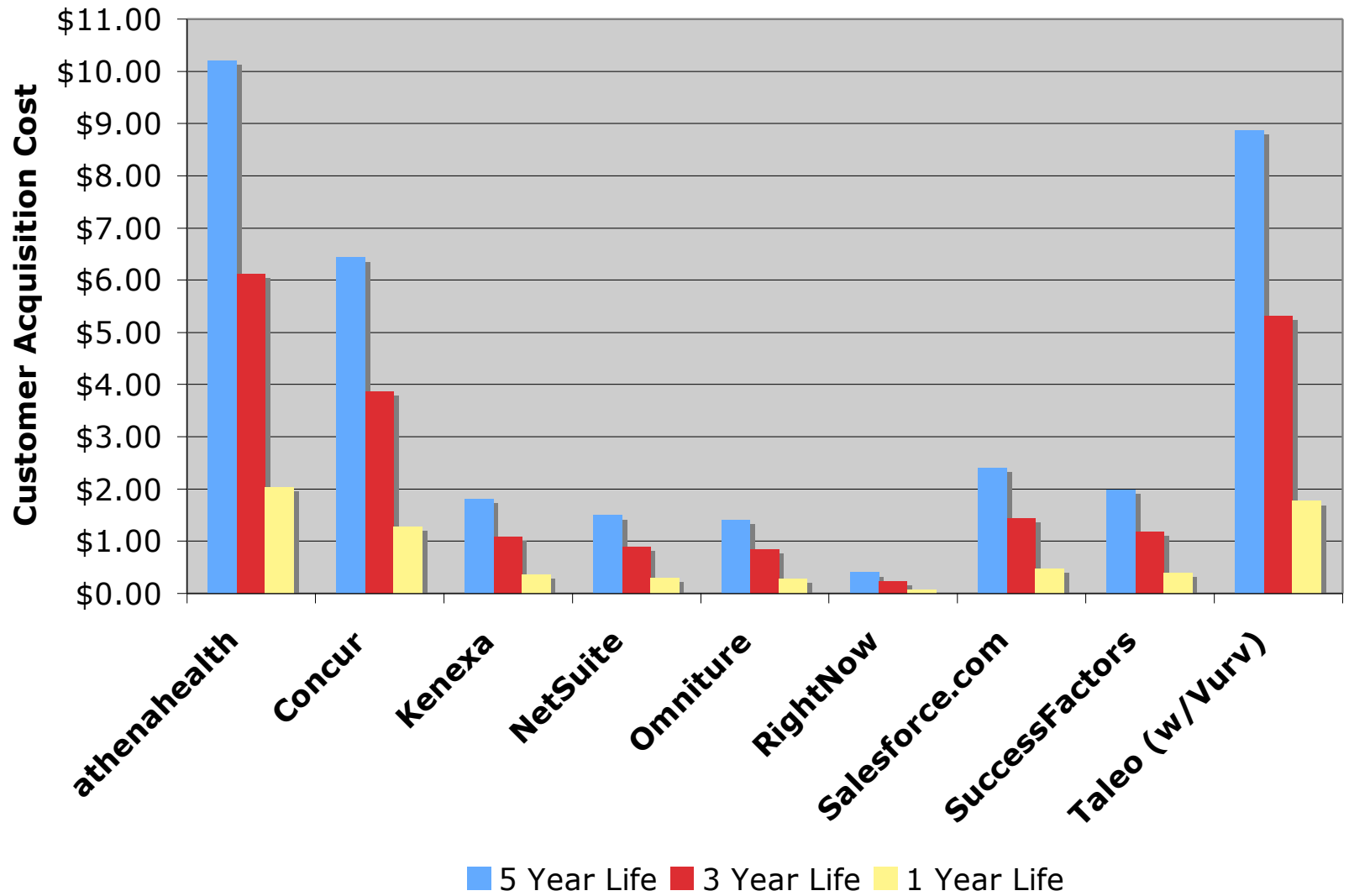
# What's the renewal term?

---



- 90% renewal over a **one-year term** vs.
- 90% renewal over a **one-month** term

## Lifetime Customer Revenue per Customer Acquisition Cost



# Lifetime Customer Revenue/ Customer Acquisition Cost



Lifetime customer revenue:

Average customer revenue per period \* term of customer life

Customer Acquisition Cost:

Annual sales & marketing expense/new customers acquired

salesforce.com FY 2009:

- Average annual customer revenue= \$17,780
- Lifetime customer revenue = \$17,780 \* 5 years = \$88,900
- Average customer acquisition cost = \$535 million sales & marketing /14,400 new customers =\$37,083
- \$88,900 lifetime revenue/ \$37,083 customer acquisition cost = \$2.40
- \$1 in customer acquisition cost yields \$2.40 in lifetime customer revenue