

Customer Churn Analysis — FY2023 Deep Dive

Prepared by: Customer Success & Revenue Operations | Date: November 2023

Overview

This report analyses the 34 churned accounts in FY2023 representing \$5.1M in lost ARR. Despite a gross retention rate of 91%, churn remains the single largest lever for improving NRR toward our 120% target.

Churn by Reason

Churn Reason	Accounts	ARR Lost	% of Total Churn ARR
Integration complexity / IT bandwidth	12	\$1.8M	35%
Budget cuts / economic pressure	9	\$1.4M	27%
Switched to competitor (ChainMind AI)	6	\$0.9M	18%
Lack of executive sponsor	4	\$0.7M	14%
Product gaps (missing features)	3	\$0.3M	6%

Competitor Displacement Analysis

Six accounts totalling \$0.9M ARR were confirmed displaced by ChainMind AI. Exit interviews revealed the primary switching trigger was price — ChainMind offered an average discount of 38% against NovaTech's renewal pricing. Secondary factor was ChainMind's pre-built Shopify and WooCommerce connectors, which NovaTech lacks.

Notably, all six displaced accounts were in the \$30K–\$80K ACV range, confirming ChainMind's focus on the SMB/lower mid-market. No Enterprise accounts (>\$150K ACV) have been lost to ChainMind to date.

Integration Complexity — Root Cause

Of the 12 accounts that cited integration complexity as the primary churn reason, 9 had attempted self-serve SAP or Oracle NetSuite integrations without engaging NovaTech's professional services team. Average time-to-value for self-serve integrations was 94 days vs. 31 days for professional services-assisted implementations.

Recommended action: require professional services engagement for all accounts with >\$50K ACV or ERP complexity score >3. This would have retained an estimated 8 of the 12 integration-churn accounts, preserving approximately \$1.2M ARR.

Retention Cohort Analysis

ACV Segment	Gross Retention	NRR	Churn Rate	Primary Risk
Enterprise (>\$150K)	97%	128%	3%	Competitive (SAP/Oracle)
Mid-Market (\$50K–\$150K)	89%	112%	11%	Budget / sponsor loss
SMB (<\$50K)	82%	98%	18%	ChainMind / price

Recommendations

1. Launch SMB self-serve tier at \$15K–\$40K ACV with streamlined onboarding to defend against ChainMind on price. Estimated revenue impact: +\$3.2M ARR in FY2024.
2. Build Shopify and WooCommerce connectors (estimated 6-week engineering effort) to close the feature gap exploited by ChainMind in mid-market.
3. Mandate professional services for all complex integrations — do not allow self-serve for ERP complexity score >3. Bundle PS cost into contract for <\$75K ACV accounts.