

Report

Why Onboarding & Activation Are The Ultimate Levers for SaaS Growth

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Introduction

Software-as-a-Service (SaaS) businesses thrive on recurring revenue – and the key to maximizing that revenue is long-term customer retention. In fact, Boston Consulting Group found that a customer's lifetime value can be over **25×** the value from the first year alone ([Six Keys to Customer Success](#)). This makes retaining and expanding existing customers far more profitable than constantly acquiring new ones.

Yet many startups underinvest in onboarding and activation, the critical first steps of the customer journey that drive longterm retention. Venture investors and consultancies alike stress that effective onboarding (getting users to their “aha” moment) and activation (getting users to form a habit around your value prop) directly impact metrics like churn, customer lifetime value (CLV), and Annual Recurring Revenue (ARR).

This report examines how strong user onboarding and activation fuel long-term retention and ARR growth, drawing on data and insights from the past decade – including guidance from VCs and firms like McKinsey, BCG, and Gartner. We will review key SaaS metrics (retention, churn, activation rate, revenue per user, Customer Acquisition Cost (CAC), CLV, CAC:CLV ratio), growth frameworks (AARRR “pirate metrics”, growth loops, cohort analysis, and qualitative/psychological audits), and compare onboarding's impact to other factors such as user engagement, pricing strategy, customer support, and product features. Case studies of SaaS companies that improved retention through better onboarding and activation will illustrate best practices.

The goal is to provide founders, CEOs, COOs, and product, growth, and UX leaders with a structured understanding of why onboarding and activation matter – and actionable insights on leveraging them to boost retention and ARR.

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The Impact of Onboarding & Activation on Retention and ARR

Retention as a Value Driver:

In subscription businesses, retention is paramount. McKinsey's research shows net revenue retention (NRR) – the rate at which customers stay and expand spend – is *highly* correlated with company valuations and growth efficiency ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)) ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). Gainsight CEO Nick Mehta notes that investors now scrutinize retention as much as growth rate, since high NRR indicates a “sticky” product and efficient growth from existing users ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)).

Retention is literally money: When customers keep renewing, ARR compounds. Conversely, high churn (the loss of customers) is revenue leakage.

Harvard Business Review found that **increasing retention by just 5% can boost profits by up to 95%** ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). BCG reports that in leading SaaS firms, the risk of losing a customer is so costly that vendors often spend more to acquire a customer than they recoup in the first contract period – meaning renewals are required just to break even ([Six Keys to Customer Success](#)). This flips the traditional sales model: instead of a one-time sale, value comes from a long-term relationship.

Bottom line: Strong retention lengthens CLV and in turn grows ARR, which drives healthier CAC:CLV ratios and SaaS “Rule of 40” performance ([SaaS and the Rule of 40: Keys to the critical value creation metric](#)).

[Onboarding & Activation power the Rule of 40](#)

Onboarding & Activation Fuel Retention:

User onboarding is the process of guiding a new customer from sign-up to initial success with the product, and activation is the moment the user first realizes real value (often termed the “aha” moment). These early phases set the tone for the entire customer lifecycle ([The Unbreakable Link Between User Onboarding and Customer Retention](#)) ([The Unbreakable Link Between User Onboarding and Customer Retention](#)). If

onboarding fails, users never fully adopt the product – and unhappy, unactivated users churn quickly. VC David Skok has identified *poor onboarding as one of the top two drivers of SaaS churn* (on par with lacking product–market fit) ([How To Optimize Your Onboarding Process To Reduce Churn](#)).

Industry data backs this: One survey found “**poor onboarding**” is the **3rd most-cited reason for customer churn**, after “**wrong product fit**” and “**lack of engagement**” ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). In other words, even a great product will lose customers if they aren’t effectively onboarded. Gartner underscores the stakes: nearly **21% of users abandon a new app after just one use** if they don’t understand its value ([The Unbreakable Link Between User Onboarding and Customer Retention](#)). Conversely, a smooth onboarding boosts retention dramatically. According to Invesp, *effective onboarding can improve customer retention by 50%* ([The Unbreakable Link Between User Onboarding and Customer Retention](#)). Another case study showed that a positive onboarding experience led to a **150% increase in user retention over six months** ([The Unbreakable Link Between User Onboarding and Customer Retention](#)). These gains translate directly into ARR – users who stick around contribute subscription revenue longer and often expand their usage (increasing per-customer ARR via upsells or cross-sells).

Retention vs. Acquisition Economics:

Focusing on onboarding and retention isn’t just good for users – it’s financially savvy. Acquiring a new customer can cost **5× to 25× more** than retaining an existing one ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). Price Intelligently (now Paddle) quantified the impact: a **1% increase in customer acquisition** adds about 3% to your bottom line, but a **1% increase in retention** improves the bottom line by **7%** – more than double the impact ([How To Optimize Your Onboarding Process To Reduce Churn](#)). This is because retained customers have longer lifetimes to yield revenue and can refer others, whereas constantly filling a leaky bucket with new users is expensive. Despite this, only **18% of companies focus on retention** as a growth lever, while over 40% focus more on acquisition ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). Savvy SaaS leaders are flipping that script: by investing in onboarding to drive retention, they not only reduce churn but can achieve “negative churn” – expansion revenue outpacing any losses ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)). High net retention (over 100%) means existing customers are so successful they’re buying more, which is a hallmark of top-tier SaaS (public cloud companies average ~102% median NRR as of 2023 ([SaaS Customer onboarding and retention statistics - Custify Blog](#))). In short, great onboarding creates engaged customers who stick around, spend more, and fuel efficient ARR growth.

As one McKinsey interview noted, companies now actively examine how onboarding quality correlates to retention in their dashboards ([Gainsight CEO on net revenue](#)

[retention and customer success management in SaaS | McKinsey](#)) – because the connection is powerful.

Key SaaS Metrics Affected by Onboarding & Activation

Retention & Churn:

Retention rate is the percentage of customers (or revenue) that you keep over a period, while *churn rate* is the percentage you lose. There are two common views: **logo retention** (customer count retention) and **net revenue retention (NRR)** which factors in expansion revenue. Onboarding directly affects *early-life churn*. Many SaaS companies see a large portion of churn in the first 30-90 days if users fail to adopt the product. For example, an analysis by Localytics found **21% of users quit after one use** of an app ([The Unbreakable Link Between User Onboarding and Customer Retention](#)), underscoring the need to hook users early. A strong onboarding reduces this “onboarding churn” by ensuring users get to value quickly. Higher retention yields higher CLV – if your monthly churn is 5%, the average customer lasts ~20 months; cut churn to 2.5%, and they last ~40 months (doubling CLV). Gross retention (which ignores expansion) reflects how well you keep customers, whereas net retention (including upsells) can exceed 100% if you expand accounts. Both improve when onboarding and customer success are effective. In 2023, median NRR across SaaS was 102% ([SaaS Customer onboarding and retention statistics - Custify Blog](#)) – world-class companies like Snowflake have NRR ~ 180% due to exceptional expansion ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)), enabled by users deeply adopting the product from the start.

Activation Rate:

Activation is typically defined as the percentage of new users who reach a key milestone that signifies they’ve experienced core product value. For example, a project management tool might define activation as creating and completing the first project. This metric is a direct outcome of your onboarding process. A low activation rate means users are signing up but not sticking around to actually use the product – a warning sign for future retention. Improving activation has outsized effects: users who activate are far more likely to become long-term customers. In one example, when online education platform Magoosh simply sent a welcome email to new free users during onboarding, the cohort that received it was **17% more likely to convert to paid** within two weeks ([How To Optimize Your Onboarding Process To Reduce Churn](#)). That small onboarding tweak substantially lifted activation and thus downstream revenue. Activation is so important that growth experts often call it the most critical “Pirate metric” (in AARRR) because

without activation, you won't have retention or referral ([How to Use Growth Loops to Drive Adoption in SaaS](#)) ([How to Use Growth Loops to Drive Adoption in SaaS](#)). *Retention is usually higher than initial activation* – once a user is using the product habitually, it's easier to keep them engaged than it was to get them started ([Why activation is the most important pirate metric for SaaS growth](#)). Thus, driving activation is the heavy lift that makes later retention possible.

Customer Lifetime Value (CLV/LTV):

CLV is the total revenue expected from a customer over their lifetime with your company. Onboarding's impact on CLV is profound – a well-onboarded customer stays longer and often expands usage, increasing their lifetime spend. If your average customer stays 2 years at \$1K ARR, CLV is \$2K. Extend that to 4 years through better retention, and CLV doubles to \$4K (plus perhaps more upgrades). This is why VCs look closely at *CAC:CLV ratio* – how much you spend to acquire a customer relative to their lifetime value. If onboarding boosts retention, CLV rises, improving CAC:CLV leverage (you can spend more to acquire since each customer yields more value). Many SaaS investors target CAC:CLV of **3:1 or better** (meaning lifetime value is at least 3× acquisition cost). Strong onboarding is a lever to achieve that by reducing early churn (preventing “wasted” CAC) and increasing upsells. BCG noted that with subscriptions, **renewal will only happen if the customer has adopted the product and seen value** – otherwise the upfront CAC isn't recouped ([Six Keys to Customer Success](#)). Thus, CLV hinges on that initial value realization.

Recurring Revenue & Account Expansion:

ARR (annual recurring revenue) is the lifeblood of SaaS. Retention and expansion directly grow ARR. As customers see success, they may upgrade plans, add seats, or buy additional modules – all contributing to ARR growth without incremental CAC. This “land and expand” motion only works if the land (initial onboarding) is successful. For instance, if a team adopts a collaboration tool through a smooth self-service onboarding, they are more likely to invite teammates (increasing user count ARR) or adopt premium features. Many SaaS companies track *expansion rate* or *upgrade rate* within the first year as a sign of healthy activation. A study by Gainsight found companies that focused on driving product adoption in the first 90 days saw significantly higher expansion revenue later ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). In effect, onboarding is the first step in a longer revenue journey. This also connects to **net retention**: high NRR often comes from both low churn and high expansion – both traceable to good onboarding and ongoing customer success. As Nick Mehta remarked, companies now shine a “flashlight” on activities like onboarding and training to see how they correlate with net retention outcomes ([Gainsight CEO on net revenue retention and customer success management](#)

[in SaaS | McKinsey](#)). The faster users reach their “wow” moment, the more likely they are to become loyal, paying (and paying more) customers.

Customer Acquisition Cost (CAC) Efficiency:

While CAC itself is about sales/marketing spend, onboarding can indirectly improve CAC efficiency. Satisfied customers refer others (reducing paid acquisition needs) and give testimonials or positive reviews. In the AARRR framework, referral is one stage – great onboarding that creates product “advocates” can feed a **growth loop** where existing users bring in new users at low cost ([How to Use Growth Loops to Drive Adoption in SaaS](#)) ([How to Use Growth Loops to Drive Adoption in SaaS](#)). Additionally, if poor onboarding causes high early churn, it effectively *increases* your true CAC, because you wasted spend on users who left quickly. By lowering churn, you make each acquired customer more cost-effective. As Gartner noted, a great customer experience (including onboarding) not only retains customers but turns them into promoters; in fact, **a great customer service experience can increase the likelihood of renewals and repurchases by 82%** ([SaaS Customer onboarding and retention statistics - Custify Blog](#)) – and those advocates help acquire new customers organically. In summary, onboarding and activation influence nearly every major SaaS metric: retention/churn, CLV, NRR, expansion revenue, and even acquisition efficiency.

Growth Frameworks and Tools: AARRR, Loops, Cohorts & Qualitative Audits

Pirate Metrics (AARRR Framework):

The AARRR framework, coined by VC Dave McClure, stands for **Acquisition, Activation, Retention, Referral, Revenue**. It's a funnel model tracking the customer lifecycle ([How to Use Growth Loops to Drive Adoption in SaaS](#)). Onboarding lives at the intersection of *Activation* and *Retention*: after *Acquisition* brings a user to sign up, *Activation* measures whether they had a happy first experience, and *Retention* measures whether they keep coming back ([How to Use Growth Loops to Drive Adoption in SaaS](#)).

AARRR reminds SaaS teams not to focus solely on acquisition – you need users to activate (e.g. complete onboarding or experience core features) and be retained, otherwise your funnel is leaking. By instrumenting metrics for each stage (e.g. % of sign-ups that complete key onboarding steps, % of users retained week-to-week, etc.), teams can identify where the bottleneck is. Many startups find that improving activation yields the biggest improvement in the entire funnel, because it lifts everything downstream.

As Appcues illustrated, boosting activation improves the pool of users available to retain and monetize, thus has compounding effects on MRR ([Why activation is the most important pirate metric for SaaS growth](#)) ([Why activation is the most important pirate metric for SaaS growth](#)).

Key actionable insight: Define your activation criteria (the actions that indicate a user got value). For example, Facebook famously found that new users who added 7 friends in 10 days were far more likely to become long-term active users. Identifying such activation metrics in your product helps you design the onboarding flow to drive users to that milestone. Use dashboards or pirate metric “treasure maps” to monitor each AARRR stage – if Activation is lagging, that’s a prompt to refine onboarding UX or guidance.

Growth Loops:

Traditional funnels are one-way, but *growth loops* create a **self-reinforcing cycle** where outputs feed back as inputs ([How to Use Growth Loops to Drive Adoption in SaaS](#)) ([How to Use Growth Loops to Drive Adoption in SaaS](#)). In a retention context, an *engagement*

loop means the more a user engages (output), the more value they get and the more they want to continue using or invite others (input), creating compounding retention. For instance, Slack's famous growth loop involved users inviting colleagues into their workspace, which both acquired new users and made the product stickier for the original user (because team collaboration is more valuable with more people).

Onboarding can kickstart these loops by prompting users to take actions that lead to ongoing engagement or virality – e.g. encourage new users to invite one team member or set up an integration that increases the product's utility ([How to Use Growth Loops to Drive Adoption in SaaS](#)). Reforge and other growth experts emphasize designing loops alongside funnels: where can a user's success create a benefit that attracts more usage or users? *Example:* Dropbox's onboarding included a referral program (give/get extra storage for inviting friends) – a classic acquisition loop that turned activated users into new user acquisition channels ([How to Use Growth Loops to Drive Adoption in SaaS](#)).

Similarly, *retention loops* focus on driving habitual usage: for example, a project tool might send weekly summary emails that re-engage users (output: email content) leading them back into the app (input: returning user). In practice, **activation is often the “trigger” for a growth loop** – a user who has seen value is now motivated to perform actions that produce more value (for themselves or others).

SaaS leaders can map out loops such as referral loops, content loops (user generates content that draws others), or feedback loops (user success stories drive word-of-mouth). Growth loops are powerful because they can reduce your dependency on constant paid acquisition and foster organic, exponential growth ([How to Use Growth Loops to Drive Adoption in SaaS](#)) ([How to Use Growth Loops to Drive Adoption in SaaS](#)). Ensure your onboarding flow highlights any viral features (like sharing, inviting, publishing) *after* the user experiences initial value, to capitalize on this momentum.

Cohort Analysis:

To truly understand retention, SaaS teams rely on **cohort analysis** – grouping users by a common start date or characteristics to analyze their behavior over time. For onboarding impact, a typical cohort analysis might group users by the month they signed up and then track what percentage are still active (or paying) each subsequent month. Improving onboarding should visibly lift the retention curve of newer cohorts compared to older ones.

For example, you might discover that *users who completed a certain onboarding step (like uploading data within 7 days) retained 2× better at 3 months* than those who didn't ([How to Perform a SaaS Cohort Analysis to Reduce Churn | Amplitude](#)). Cohort analysis can also compare different onboarding experiments: e.g. the Q1 cohort that went

through a new interactive tutorial might show higher Week-8 retention than the Q4 cohort that did not. **Use cohort charts to validate onboarding changes.**

Many analytics tools (Amplitude, Mixpanel, etc.) allow you to segment by “activated” vs “non-activated” users and see their retention curves diverge. A practical tip is to instrument an “Activation” flag for each user (true/false), then run retention queries for each group. If activation is well-defined, you’ll typically see a much flatter decay curve (better retention) for the activated cohort – proving the value of getting users to that point ([How to Perform a SaaS Cohort Analysis to Reduce Churn | Amplitude](#)) ([How to Perform a SaaS Cohort Analysis to Reduce Churn | Amplitude](#)).

Cohort analyses also inform CAC: if users from marketing Channel A have higher retention than Channel B, you might shift spend. For startup COOs or product leads, this is invaluable for *aligning teams*: it shows that what happens post-sale (onboarding) is just as critical as pre-sale, since a sale isn’t truly successful until the customer is retained.

Another use is measuring *time-to-value*: cohorts who achieve a “first value” event faster likely retain better. If you see retention jump once users pass a threshold (say usage of a feature 3 times), that’s insight to double down on in onboarding. Overall, cohort analysis turns retention from a nebulous concept into concrete data that teams can act on, by linking it back to onboarding behaviors and segmentation.

Qualitative Audits & Psychological Analysis:

Numbers alone won’t tell the whole story, so leading SaaS companies also perform *qualitative audits* of their onboarding experience – sometimes called “**psych analysis**” in growth teams, meaning analyzing the user’s psychological journey. This involves understanding user motivations, anxieties, and moments of delight or frustration during onboarding. Techniques include user interviews, usability tests, surveys, and session recordings to see where users drop off or get confused.

Psychological principles can be deliberately applied to onboarding design. For example, cognitive psychology tells us about **cognitive load**: humans can only process so much information at once. High cognitive load during onboarding (e.g. lengthy forms, complex tutorials) overwhelms users and *leads to lower retention* ([The Psychology of SaaS Onboarding: How to Reduce Cognitive Load and Accelerate Adoption](#)). By auditing your sign-up flow for complexity, you can simplify steps to reduce mental effort. One SaaS UX audit might reveal that users hesitate at a permissions request or don’t understand how to get started – qualitative insight that isn’t obvious from analytics alone.

Applying psychology, we can use the **Zeigarnik effect** (people like to finish what they start) by breaking onboarding into a step-by-step progress checklist, leveraging users’

intrinsic desire to complete tasks ([The Psychology of SaaS Onboarding: How to Reduce Cognitive Load and Accelerate Adoption](#)). Or use the **Mere Exposure effect** (familiarity breeds trust) by keeping design elements consistent and familiar so new users feel at home ([The Psychology of SaaS Onboarding: How to Reduce Cognitive Load and Accelerate Adoption](#)). Another trick is the **IKEA effect** – people value something more if they had a hand in building it ([The Psychology of SaaS Onboarding: How to Reduce Cognitive Load and Accelerate Adoption](#)). In onboarding, this might mean letting users customize their experience or data (e.g. create a project of their own) so they feel ownership. Qualitative audits might also include a “*psychological journey map*” noting user emotional states: excitement at sign-up, confusion at first login, relief at first success, etc. By identifying pain points (e.g. a confusing setup step causing frustration), the team can iterate to smooth them out.

Additionally, direct customer feedback (surveys like CES – Customer Effort Score – after onboarding, or open-ended “How was your setup experience?” questions) can surface issues. In sum, blending quantitative cohort data with qualitative psych analysis gives a 360° view: the *what* and *how many* from metrics, plus the *why* from user psychology. This approach ensures onboarding optimizations are user-centered and not just metric-driven.

Startup UX leads and growth teams use these audits to uncover hidden friction that might not show up in analytics, then apply UX design principles to create a more intuitive, habit-forming onboarding flow.

Comparing Onboarding & Activation to Other Retention Levers

Effective onboarding and activation are pivotal, but they operate alongside other factors that influence retention: **engagement, product value, pricing, and customer support**. How do these elements compare and interact?

- **Onboarding & Activation vs. Ongoing Engagement:** Onboarding is about the *first* value; engagement is about *continuous* value. Lack of ongoing engagement is actually the #2 reason for churn (after product misfit) ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). If users stop using the product, they eventually cancel. Great onboarding should segue into habits and engagement – for example, by training users on key features, setting up integrations, or subscribing them to useful content, so that the product becomes part of their routine. Think of onboarding as the booster rocket that propels the user into orbit (regular usage). Without that initial push, many never achieve stable engagement. However, even a stellar onboarding cannot save retention if the product doesn't continue to deliver value or if users' needs evolve and they don't adopt new features. That's where *customer success* teams often take over after onboarding, monitoring usage and intervening to re-engage users who lapse. Cohort data can help here too: you might notice retention dropping after Month 3 for all users, indicating a need for engagement campaigns around that time (perhaps introducing advanced features or reaching out for feedback). In practice, **onboarding and engagement are complementary** – onboarding drives early product adoption (often measured by activation and Day 7 or Day 30 retention), while engagement strategies (like email drips, feature release education, and community building) sustain usage in later months. Both are needed for long-term retention. It's telling that "*lack of engagement*" and "*poor onboarding*" together account for a huge share of churn causes, per industry surveys ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). The best SaaS companies treat onboarding not as a one-time event but an ongoing journey that blends into user engagement. As UserGuiding advises, continue educating users with tips and new use cases well beyond the initial signup ([The Unbreakable Link Between User Onboarding and Customer Retention](#)) ([The Unbreakable Link Between User Onboarding and Customer Retention](#)).
- **Onboarding & Activation vs. Core Product Value (Features & Fit):** The underlying product must solve a real problem and deliver value; if there's a fundamental *product-market fit issue*, even the best onboarding won't prevent churn. In fact, "wrong product fit" is cited as the #1 reason for churn in surveys

([SaaS Customer onboarding and retention statistics - Custify Blog](#)). No amount of onboarding magic can retain a customer that wasn't a good fit to begin with (they'll realize the product doesn't meet their needs). That's why an important *pre-onboarding step* is attracting the **right customers** and setting correct expectations. As one SaaS founder quipped, "No onboarding process can rescue a customer hoping to burn CDs with a Spotify account" ([How To Optimize Your Onboarding Process To Reduce Churn](#)) – meaning if the use case is wrong, churn is inevitable. That said, even a great product can fall victim to poor retention if users don't understand its value. Many SaaS tools are feature-rich, which can overwhelm new users. Onboarding should distill the product's core value quickly rather than dump every feature on the user. Successful SaaS teams prioritize *key features* in onboarding – the ones that deliver the most value – and postpone or gradually introduce less critical features ([The Unbreakable Link Between User Onboarding and Customer Retention](#)) ([The Unbreakable Link Between User Onboarding and Customer Retention](#)). This approach ties to the concept of the **minimal viable onboarding**: don't try to teach everything, just get the user to the "aha" moment with minimal friction. A comparative perspective: adding more product features might attract buyers and drive marketing buzz, but if those features are not adopted (due to inadequate guidance), they won't improve retention. In fact, complexity can hurt retention. A KPMG study found **product quality (meeting needs) is the top factor (74%) for loyalty, followed by value for money** ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). "Quality" here isn't just features – it's the user's perceived outcome. Onboarding helps users *experience* that quality faster. So while product innovation is crucial, many experts would argue that **in the early stages of a SaaS, onboarding can move the needle more on retention than adding new features**. Once you have core product-market fit, ensuring every customer actually gets the benefit of those features is paramount. A balanced strategy is best: keep improving the product (so there's real value and reason to stay), but equally invest in onboarding, documentation, and UX so that customers realize the full value. As BCG noted, SaaS companies pioneered the Customer Success function precisely to focus on driving adoption of the product's features in the customer's workflows ([Six Keys to Customer Success](#)) ([Six Keys to Customer Success](#)) – essentially recognizing that retention comes from value *delivered*, not just value *promised* by features.

- **Onboarding & Activation vs. Pricing & Value Perception:** Pricing influences retention in that customers regularly ask, "Is this worth what I'm paying?" Onboarding can increase the *perceived value*, making the answer more often "yes." If a user quickly hits a valuable outcome, they're more likely to tolerate the cost. However, if onboarding fails and the user is left confused or underwhelmed, even a low price can seem too high. Interestingly, customers will pay more for a product they feel is effectively helping them. A statistic shows **68% of customers are willing to pay a higher price to a company known for good customer**

service ([SaaS Customer onboarding and retention statistics - Custify Blog](#)) ([SaaS Customer onboarding and retention statistics - Custify Blog](#)) – which includes the onboarding experience. Poor onboarding can also lead to immediate cancellations or refund requests (in free trial scenarios, they just never convert). Some SaaS businesses employ a “white-glove” onboarding (high-touch, with training) for higher-tier customers to ensure they see value commensurate with a premium price. Others might offer self-service onboarding for a low-cost product. If churn is happening due to pricing, you often hear feedback like “It’s too expensive for what it does.” That usually means either *the product isn’t delivering enough value* or *the value wasn’t clear to the user*. Onboarding addresses the latter by showcasing value. It can even mitigate price objections by highlighting ROI. For example, during onboarding a project management tool might show a dashboard of time saved or tasks completed – reinforcing the product’s value in tangible terms. Still, pricing strategy itself (monthly vs annual commitments, freemium vs paid trial) plays a role in retention. Month-to-month plans have higher churn typically, as customers can leave anytime. Annual contracts improve retention mechanically, but a dangerous strategy if customers are unhappy (they might not renew and could spread negative word-of-mouth). The ideal scenario is *earning* renewal through value, not just enforcing it through contracts.

Onboarding is where you start to earn it. Some companies use the onboarding period to also *right-size* the customer on the best plan – ensuring they’re in a package that fits their needs, which can prevent future dissatisfaction over pricing. In summary, pricing sets the expectation of value, and onboarding helps fulfill (or exceed) that expectation. They are different levers – you might adjust pricing or packaging to reduce churn (e.g. introduce a cheaper tier rather than lose a customer entirely), but you should also maximize the value delivered at the current price through great activation. Founders should remember: **if users see clear value, they are far less sensitive to price**. Investing in user success (even via extra onboarding resources) can pay off more than a discounting war.

- **Onboarding & Activation vs. Customer Support/Success:** Customer support and success services are critical, especially in B2B SaaS, to ensure customers stay happy. In fact, **96% of users say customer service is important for their loyalty** ([SaaS Customer onboarding and retention statistics - Custify Blog](#)), and poor customer experience drives 80% of customers to switch providers ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). Onboarding is essentially the *first phase of customer success*. If done well, it can *preempt many support issues* by training users properly and setting correct expectations. For instance, a user who is shown how to use a feature is less likely to file a support ticket out of confusion. There’s a virtuous cycle here: a smooth onboarding leads to fewer problems, which leads to fewer frustrating support experiences, which then improves overall satisfaction and retention. However, onboarding doesn’t eliminate the need for ongoing support. Complex SaaS products often have dedicated Customer Success Managers (CSMs) or onboarding specialists who

hand-hold new customers through set-up. BCG found that over 74% of surveyed companies have a dedicated onboarding team or role ([SaaS Customer onboarding and retention statistics - Custify Blog](#)), underlining how common it is to invest in that phase. For high-touch models, the relationship with a CSM in the first 90 days can make or break retention. The CSM ensures the customer achieves their desired outcomes (value) and addresses any issues. This human element is part of “onboarding” in a broader sense. Comparing impact: *Reactive support* waits for the user to encounter an issue and reach out, whereas *proactive onboarding* tries to guide and prevent issues upfront. Both are important; many churn risks can be caught by attentive support teams (e.g. if a customer stops logging in, a CSM can intervene). But it's more efficient to design a product and onboarding that minimize the need for reactive support. That said, when users do need help, fast and helpful support can save an at-risk account. Gartner research indicates a great service interaction can massively improve renewal odds ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). Some companies differentiate on support quality as much as product. For example, a complex analytics SaaS might have average onboarding UX but an excellent support team that compensates by walking every new client through set-up on calls. Ideally, though, *onboarding, product, and support all work in harmony*: the product is intuitive, the onboarding UX and content get users started, and support is there for edge cases or deeper guidance. One cannot fully substitute for the other. From a COO perspective, reducing support tickets through better onboarding is attractive (lower support costs, higher customer satisfaction). From a UX lead perspective, designing self-service onboarding (product tours, knowledge base, tooltips) is key for scale. Notably, many users *prefer self-service* for simple issues – a Salesforce survey noted that customers use help articles and knowledge bases as primary self-help resources ([SaaS Customer onboarding and retention statistics - Custify Blog](#)). Thus, providing those resources as part of onboarding improves the user experience and reduces churn due to unresolved issues. In sum, **onboarding is proactive customer success**, and when combined with responsive support, it creates a safety net that keeps customers on board even when they encounter difficulties.

Takeaway:

Onboarding and activation are high-leverage because they set the foundation for all other retention drivers. Engagement efforts won't matter if users never activate; great features won't get used if onboarding is poor; fair pricing won't retain users who don't see value; and even stellar support can't always save a badly onboarded user who's already given up. However, each of these other levers can either amplify or undermine the effects of onboarding. The best SaaS companies work on all fronts: they build products customers love, price them for value, invest in onboarding to realize that value,

drive ongoing engagement, and support customers throughout. For startup leaders, the comparative insight is that **improving onboarding/activation often yields quicker and more observable gains in retention** than changes in pricing, support, or features, especially in the short term. It's a "low hanging fruit" for growth that also enhances the effectiveness of those other areas (since engaged users will appreciate new features, be willing to pay, and require less emergency support).

Case Studies: Onboarding & Activation in Action

Real-world SaaS examples illustrate how focusing on onboarding and activation improves retention and ARR:

- **HubSpot – Human-Onboarding and a “Success Index”:** HubSpot, a marketing automation SaaS, understood early that just selling the software wasn’t enough; customers needed to use it effectively to stay. They implemented a *Customer Happiness Index (CHI)*, a composite score tracking whether customers adopt key features (like using the blog tool, CRM, email marketing, etc.). Analysis of thousands of customers showed CHI to be a strong predictor of retention ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)) ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)). To boost CHI for new users, HubSpot assigns every new customer an onboarding consultant (Inbound Marketing Consultant) for the first few months ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)). This is effectively a high-touch onboarding: the consultant helps implement the software and educates the customer on inbound marketing best practices so they get tangible results. By monitoring CHI and intervening when it’s low, HubSpot was able to **save 33% of previously unhappy (at-risk) customers** from churning ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)). Those customers eventually found success and renewed. Moreover, HubSpot claims that customers who fully adopt their recommended practices see double-digit increases in key metrics for their own business ([SaaS Churn: 9 Case Studies That Will Help You Make More Money](#)), reinforcing the value of the product. HubSpot’s case shows the power of a guided onboarding coupled with a metric that links product usage to retention likelihood. The takeaway: **measure your users’ onboarding success (via a health score or index)** and intervene early. For HubSpot, this approach reduced churn and likely contributed to their ability to scale ARR (HubSpot is known for strong retention rates in the SMB SaaS segment).
- **Slack – Education for Deeper Adoption:** Slack, known for its rapid growth and high user engagement, treats onboarding as an ongoing education. For new teams signing up self-service, Slack’s in-app onboarding is minimal friction – you can start chatting with colleagues in minutes – which drives a quick activation. But Slack doesn’t stop there. They have extensive **onboarding content** available: an entire YouTube playlist “Slack 101” for new users, and additional video tutorials for advanced features once basics are mastered ([How To Optimize Your Onboarding Process To Reduce Churn](#)). By making it easy for users to learn

at their own pace, Slack ensures that teams don't just use the bare minimum but gradually adopt features like app integrations, channels, bots, and so on. This leads to broader usage (more messages sent, files shared), which correlates with higher retention and expansion (teams on free plans often upgrade to paid as they grow). Slack's growth is also fueled by an *invitation loop* – new Slack workspaces grow virally as existing users invite new teammates. Slack's onboarding UI actively prompts this, for example by suggesting "Invite more team members" as a next step after initial setup. This is a perfect marriage of activation and growth loop: a user who just saw value in Slack is encouraged to invite others, which increases both acquisition and retention (because Slack is more valuable when your whole team is on it). Slack's success story highlights how streamlining the first user experience *and* providing ongoing training resources results in strong retention. Their net dollar retention has been reported well above 130% in the early years, indicating that customers not only stayed but spent more over time – likely because Slack made sure users discovered more value over time.

- **Magoosh – Simple Onboarding Experiment for Activation:** Magoosh, an online test-prep SaaS, ran an experiment with their new users: they sent a personalized welcome email to half of new free signups, and sent nothing to the other half. The content was just a friendly greeting and tips to get started. The impact was striking – the cohort that received the welcome email was **17% more likely to convert to paid** within two weeks than those who didn't ([How To Optimize Your Onboarding Process To Reduce Churn](#)). This simple onboarding touchpoint nudged users to come back, engage with the study material, and ultimately upgrade. It's a testament that *activation can sometimes be improved with very low-tech solutions* – in this case, an automated email. It likely helped users find relevant content or reminded them of their intent to study with Magoosh, thus reducing drop-off after sign-up. For SaaS founders, this indicates that you don't always need a complex product tour; even out-of-app communications (emails, onboarding checklists, webinars) can enhance activation. Magoosh likely saw better retention from those users as well, since engaged trial users tend to become engaged customers.
- **Robinhood – Instant Activation via Incentives:** Robinhood, a fintech SaaS (stock trading app), faced the challenge that many brokerage apps do – new users might sign up but not follow through to fund their account or place a trade (which is the activation in this context). Robinhood introduced a clever onboarding incentive: **a free stock for every new user upon sign-up** ([How To Optimize Your Onboarding Process To Reduce Churn](#)). This meant every user immediately got a tangible piece of value (a share of a randomly selected company) as soon as they joined. Psychologically, this gave users a feeling of investment *success* right at the start – they literally became stock owners without doing anything. The result was more users completing the onboarding (you had to finish sign-up to claim the stock) and then sticking around to watch or trade

that stock. While not every SaaS can give away something of monetary value, the principle can be emulated: provide an *instant win* in the onboarding. For example, a SaaS offering a free amount of usage, a starter template, or a quick personalized report can emulate that free stock effect. Robinhood's user retention and engagement benefited from users feeling "I already have something here to lose or gain" which hooks them into coming back. It's a case of activation not just reducing churn but actually driving early viral growth too (because many told friends about the free stock, fueling referrals).

- **Auth0 – Funnel Experimentation (Product-Led Growth):** Auth0 (a SaaS identity platform) undertook a focused project to improve its user activation rate, as documented in product growth case studies. By diving into their onboarding funnel data, they identified points where developers got stuck integrating Auth0 into their apps. They ran experiments like re-ordering the onboarding steps, simplifying documentation, and adding in-app guidance. Over time, these tweaks increased the proportion of developers who made the first API call (their activation event) and went on to sustained use. Auth0 reportedly saw not only activation rise but also better conversion from free trials to paid plans as a result ([3 SaaS Experiments to Boost Activation and Retention Rate \(Mini ...\)](#)) ([Why activation is the most important pirate metric for SaaS growth](#)). One specific tactic was adding more friction *earlier* for unqualified users – e.g. asking for use-case info – so they could route promising leads to sales or tailored content, while letting casual sign-ups self-disqualify faster. This counterintuitive move meant the remaining users in onboarding were more serious and thus more likely to activate. Auth0's story illustrates that optimizing activation often requires cross-functional effort (product, UX, docs, even sales engineering) and continuous experimentation. It also shows the interplay of quantitative and qualitative methods: they likely used cohort metrics to spot where users dropped, and then user research to figure out why, leading to a hypothesis for an experiment.
- **Evernote – Re-engagement Onboarding (Second Chance):** Not all users activate on first try. Evernote, an app for note-taking, noticed many users would sign up, use it once, and not return (a common app retention challenge). To tackle this, Evernote implemented a re-engagement onboarding flow: if a user became inactive, they'd receive targeted content like "5 Tips to Get the Most Out of Evernote," highlighting features they hadn't tried yet. This was essentially a second onboarding, personalized to what the user had or hadn't done. By treating onboarding as an ongoing process, Evernote successfully reactivated a portion of dormant users, improving overall retention. This case underscores that onboarding doesn't have to be one-and-done; it's worth checking in with users at risk of churn and guiding them back to value. SaaS growth teams often set up triggers (e.g. user hasn't logged in 14 days within first month) to send helpful

nudges or offer a one-on-one training session. Such reactivation campaigns can “catch” users before they fully churn.

These case studies highlight a few patterns: **personalized help and education** (HubSpot’s consultant, Slack’s videos), **quick wins and value demonstration** (Robinhood’s free stock, Magoosh’s tips that lead to purchase), **data-driven tweaks in the funnel** (Auth0’s experiments), and **ongoing onboarding touchpoints** (Evernote’s re-engagement). All resulted in higher retention or revenue. Startup teams can draw from these by asking: Where are our users getting stuck or leaving? What’s one thing we can do to help them succeed at that point? Sometimes the solution is human touch (for complex B2B), other times automation or redesign (for scalable B2C or self-serve). Importantly, these examples also show collaboration between product, growth, and customer success teams – exactly the audience we target (product leads, growth leads, UX, etc.). By aligning around the shared goal of user success in early usage, they drove meaningful business outcomes.

Actionable Insights and Recommendations

1. Treat Onboarding as a Core Growth Investment:

Founders and CEOs should champion user onboarding and activation as mission-critical, not a secondary UX tweak. The data is unequivocal: retention drives SaaS value – *net retention is as important as new sales in determining ARR growth and even company valuation multiples* ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). Make onboarding metrics (activation rate, Day 30 retention, time-to-first-value) key performance indicators reviewed at leadership meetings. Ensure you have resources (product managers, designers, or customer success specialists) dedicated to optimizing the onboarding journey. For early-stage startups, this might mean the founders themselves spend time onboarding initial users and learning where they struggle. For scaling companies, consider an onboarding or activation “SWAT team” that continuously experiments and improves this area. Remember that a **1% increase in retention can yield 7%+ improvement in bottom-line revenue** ([How To Optimize Your Onboarding Process To Reduce Churn](#)) – that’s an ROI worth pursuing aggressively.

2. Define the “Activation Moment” and Shorten Time-to-Value:

Identify the key action or milestone that signals a new user has experienced core value – this is your activation event. It could be sending a first message (in a chat app), creating a first report (analytics app), completing a profile (social platform), etc. Once defined, map out the current user path to reach that moment and count how many steps or how much time it takes. Then, **ruthlessly optimize to shorten that path**. Could you remove optional steps or ask for information later? Provide default data or templates so the user isn’t starting from scratch? For example, if your SaaS is an analytics tool, pre-load a demo dataset so users can immediately see a dashboard (their “wow” moment) without heavy setup. Use progress bars or checklists to encourage users through necessary steps (leveraging the Zeigarnik effect of task completion motivation ([The Psychology of SaaS Onboarding: How to Reduce Cognitive Load and Accelerate Adoption](#))). Measure *time-to-activate* – say, what % of users activate within 1 day, 7 days, etc. Aim to get more users to value in the first session or at least the first day, when their interest is highest. Psychologically, **first impressions stick** ([The Unbreakable Link Between User](#)

[Onboarding and Customer Retention](#)) – a smooth, rewarding first use creates a positive association that carries forward. Product and UX leads should simulate a first-time user experience regularly and remove any friction encountered.

3. Use Cohort Analysis to Guide Iteration:

Implement cohort-tracking of your user retention and activation metrics. Growth leads and data analysts should create a simple dashboard: e.g. retention curves for each monthly cohort, activation rate for each cohort, and conversion to paid (if applicable). When you make an onboarding change (like a new tutorial or an improved signup flow), watch how the next cohort's metrics respond. This helps isolate the impact of your initiatives from external factors. If you see retention at Week 4 improved for the cohort that got the new onboarding, that's evidence of success. Conversely, if a change doesn't move the needle, you can roll it back or try something else. Cohort analysis also helps identify *which users* are retaining best or worst – perhaps users from a certain channel or persona churn more. That insight might suggest a need to tweak onboarding messaging for that segment or even adjust your acquisition targeting to get more high-retention users (improving product-market fit). Essentially, **let data inform your onboarding improvements** so you focus on what works. As one Amplitude example showed, discovering that users who enabled a feature in week one had higher retention ([How to Perform a SaaS Cohort Analysis to Reduce Churn | Amplitude](#)) guides you to encourage that action in onboarding. Make this a continuous process – monthly or quarterly reviews of cohort data should be standard for product and growth teams.

4. Incorporate Qualitative Feedback – Listen to Your Users:

Numbers will tell you *what* is happening, but talking to users tells you *why*. Encourage your Customer Success and UX teams to conduct regular onboarding reviews with new customers. This can be as simple as a 15-minute phone call or in-app survey asking: *“How was your setup experience? Is there anything that almost made you give up?”* Pay attention to common pain points: confusing terminology, a step that took too long, lack of guidance, etc. Also note what excited users – maybe they found a particular feature super valuable. Use these insights to refine both your product and your onboarding communications. For instance, if users consistently don't understand a certain feature during onboarding, consider delaying introduction of that feature until they've mastered the basics, or explain it better with tooltips or a short video. If new users keep asking support the same question, that's a candidate for a tutorial or UI improvement. **Implement a feedback loop:** survey or interview users after 1 week and 1 month of usage. UX leads can map the emotional journey (frustrations and delights) and address the lows. Additionally, observe users “in the wild” via user testing sessions – sometimes

watching someone sign up for your product (without guidance) reveals UI issues you never noticed. A qualitative gem can often inspire a solution that boosts activation for everyone. Many successful SaaS startups, like Superhuman (an email app), even design **onboarding with a personal touch at first – onboarding every user 1:1 – to learn exactly what users need**, then later scale those learnings into the product onboarding flow. While not every business can do 1:1 onboarding, the principle is to deeply understand the new user perspective.

5. Align Teams Across the User Journey:

Onboarding doesn't belong to Product alone or Customer Success alone – it's a cross-functional effort. Make sure Marketing/Sales, Product, and Customer Success/Support are aligned on what promises are made to the user, and how the onboarding delivers on them. For example, if Marketing is advertising a particular value proposition, ensure the onboarding highlights that same use case so the user isn't confused. COOs or Heads of Growth can facilitate a regular "user journey audit" meeting where each stage owner (acquisition, onboarding, retention) shares insights. A cohesive journey means fewer users falling through cracks. Also, set up clear ownership: often a "Head of Customer Success" or similar role oversees onboarding in B2B contexts, while a "Growth PM" or "Onboarding PM" might in product-led contexts. Whoever it is, they should wake up thinking about onboarding metrics. Encourage collaboration such as Support agents sharing common new-user questions with the product team to fix upstream. Or product managers providing Sales with an "ideal customer profile" based on who activates best, so sales brings in the right fits. **Break the silos** – a user's experience is one continuous flow. Frameworks like AARRR can help here, as they give each team a view of how their stage connects to the next (e.g. acquisition drives users into activation; activation success drives retention which leads to referral, etc.). Some companies even create a "Growth pod" with members from product, design, engineering, marketing, and success all focused on activation/retention projects.

6. Layer Onboarding Touchpoints: In-App, Email, and Human:

A comprehensive onboarding program uses multiple channels to engage new users. *In-app guidance* is crucial – use tooltips, guided walkthroughs, checklists, or an onboarding wizard to lead users through key setup tasks while they're in the product. There are many user onboarding tools (e.g. Appcues, Userpilot, WalkMe) that allow you to build these flows without heavy engineering. Next, back up in-app prompts with *email onboarding sequences*. Well-timed emails can bring back a user who signed up but didn't finish onboarding ("Need help getting started?"), showcase benefits ("Did you know you can do X with [Product]? Here's how."), and celebrate milestones ("Congrats

on sending your first invoice!”). Data shows welcome emails can significantly boost activation – as noted, Magoosh’s welcome email raised upgrades by 17% ([How To Optimize Your Onboarding Process To Reduce Churn](#)). Automate these emails based on user behavior (if user hasn’t done action X in 3 days, send reminder/tip). Finally, don’t underestimate the power of *human touch*, especially for higher-value customers: a personal welcome call, a live training webinar, or access to a dedicated onboarding specialist can dramatically improve that customer’s likelihood to succeed and renew. Gartner’s research finds customers value when a company is proactive and hands-on in helping them achieve outcomes ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)) ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). Even at scale, you can mimic human warmth – for instance, use short personalized welcome videos or an interactive chat-bot that feels more conversational. **The key is to reach the user with the right help in the right channel at the right time.** If they are actively using the app, in-app guidance is best; if they’ve gone dormant, an email or call might re-engage them.

7. Track and Optimize Customer Health Metrics (NRR, CSAT, etc.):

As users progress beyond initial onboarding, track metrics that indicate their health and satisfaction. Net Revenue Retention (NRR) is one ultimate measure – aim to get this as high as possible by reducing churn and driving expansion. But early in the lifecycle, also look at indicators like product usage frequency, depth of feature usage, Customer Satisfaction (CSAT) or Net Promoter Score (NPS) after onboarding, support ticket volume for new customers, and so on. For instance, if you find that customers who complete onboarding with a CSAT of 5/5 have 90% 1-year retention, whereas those with 3/5 have only 60%, that’s a sign to improve the experience for those less happy users. Some companies create a specialized metric like HubSpot’s CHI or a Customer Health Score that weighs various inputs (e.g. did the user do key actions, are they using the product weekly, have they achieved stated goals). Use these scores to trigger interventions. For example, if a customer hasn’t achieved a certain usage milestone in 30 days, automatically offer a one-on-one coaching session. Modern customer success platforms (Gainsight, ChurnZero, etc.) can assist in monitoring these signals ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). Gartner’s finding that **a great customer service experience boosts renewal odds by 82%** ([SaaS Customer onboarding and retention statistics - Custify Blog](#)) suggests that even after onboarding, maintaining excellent support and engagement is crucial – but many of those service touchpoints (questions, issues) will occur *during* onboarding or shortly after, so the early period is your chance to shine. Aim for quick response times and high-quality answers for new users; their impression of your support in the first few weeks will influence their loyalty.

8. Continuously Refine – Onboarding is Never “Done”:

User needs and expectations evolve, your product adds new features, and new competitors set higher bars for UX. So onboarding isn't a one-time project – it requires ongoing iteration. Solicit feedback often: include an option in-app like “Need help?” or “Give feedback on this flow”. Every few months, do a holistic review of your onboarding funnel metrics and user feedback. As your user base grows, consider segmenting onboarding paths (e.g. a beginner path vs. advanced, or different paths for different primary use cases). Test changes via A/B testing where possible – for example, try two different welcome screen designs or two different tutorial styles to see which yields higher activation. Keep an eye on external trends too: for instance, if during the pandemic more users expected remote/online training, companies adapted by offering live Zoom onboarding webinars (and McKinsey noted that the surge in digital tool adoption made users more open to online guidance ([SaaS Customer onboarding and retention statistics - Custify Blog](#))). Also, as your product's value prop expands, ensure the onboarding still focuses and delivers on the *core value quickly*. It's easy for onboarding flows to become bloated as you try to introduce everything. Periodically prune and simplify. A good practice is to have new team members or even friends *go through onboarding fresh* and observe them – you'll often rediscover friction that experienced users or creators might miss. Many top SaaS companies treat onboarding as a “product within the product” – they assign design and engineering effort to it in each development sprint or quarter. By fostering this continual improvement mindset, you'll adapt and keep retention high even as the market changes.

By following these steps, startup founders, CEOs, COOs, and product/growth/UX leaders can systematically improve user onboarding and activation. The payoff is stickier customers, lower churn, and higher ARR – in essence, building a product that not only attracts users but keeps them coming back and paying, which is the hallmark of sustainable SaaS success. As a final note, remember that behind every metric is a customer trying to achieve something. If you make them successful (which is exactly what great onboarding does), they'll reward you with loyalty and advocacy ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)) ([Gainsight CEO on net revenue retention and customer success management in SaaS | McKinsey](#)). Focus on that user success, and the metrics will follow.