

# Retention Analysis

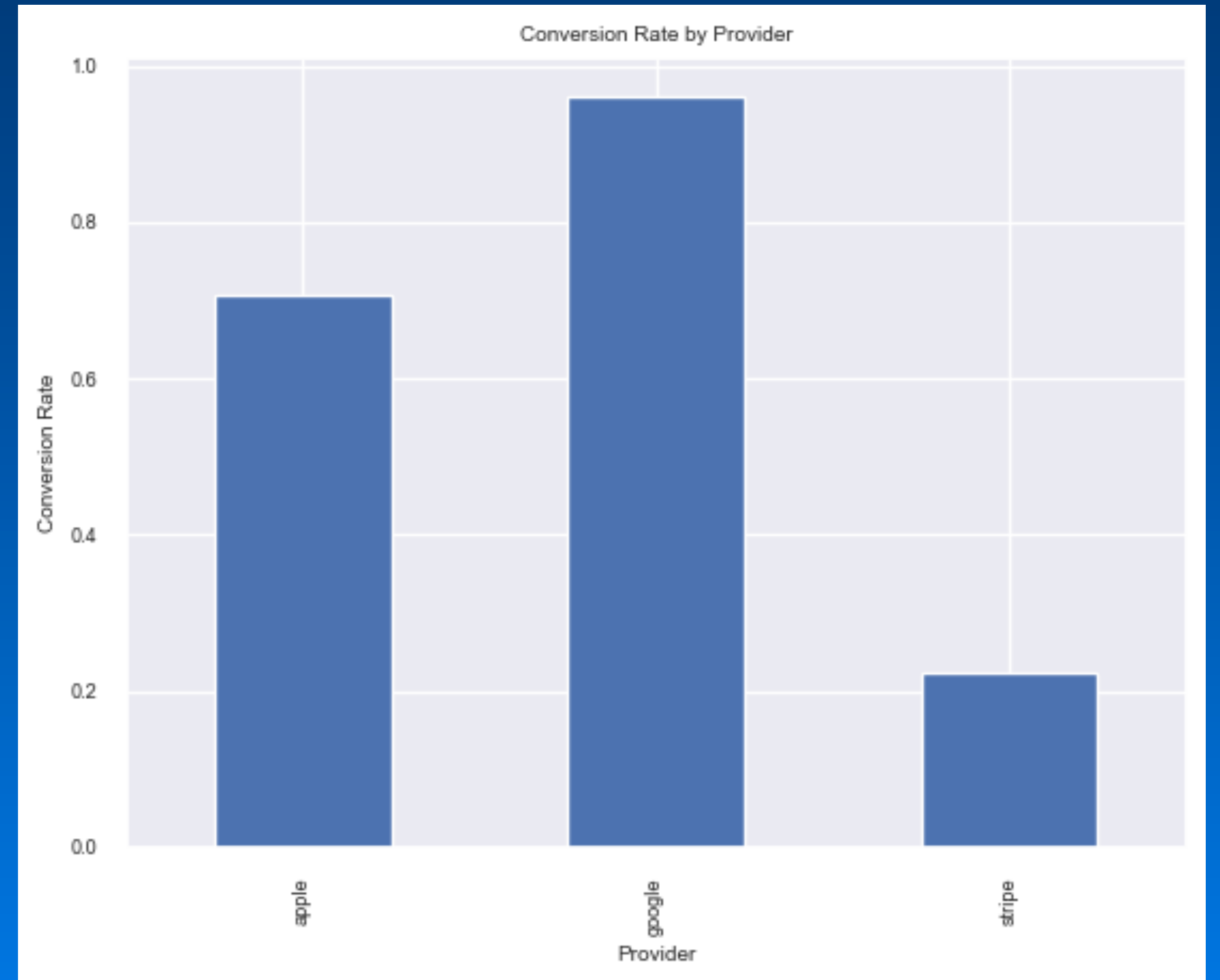
Sequoia Capital  
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# Summary

- In this analysis we show a number of patterns that suggest opportunities to grow this business.
- A deeper investigation will be required to understand the underlying dynamics and to inform the business strategy.

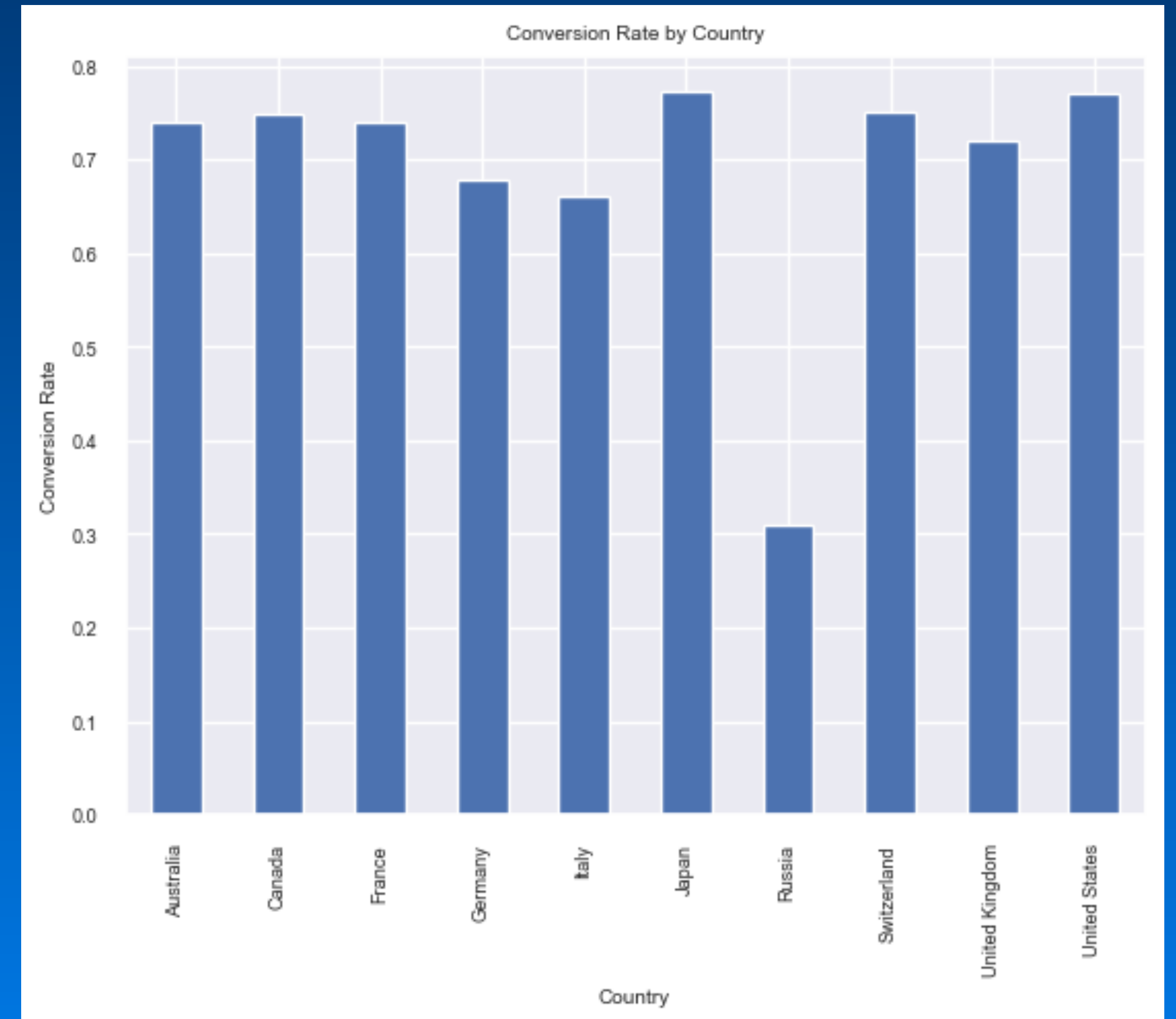
# Conversion rate by provider

- The conversion rate varies dramatically by provider from 96% for Google to 22% for Stripe. What causes this? Is it related to the provider signup flow, or is the provider a proxy for something else, e.g., a different customer segment?



# Conversion rate by country

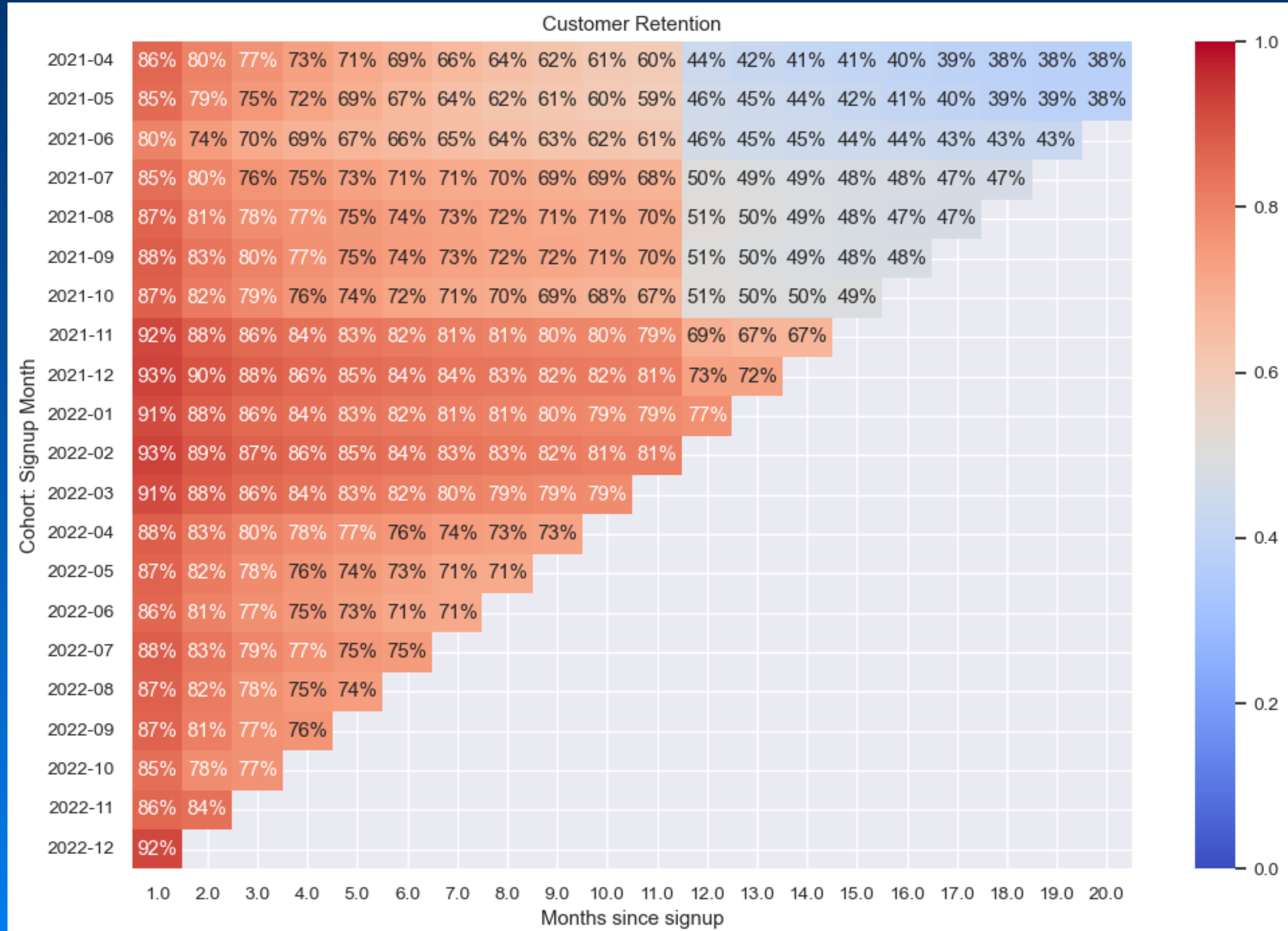
- Japan and the United States have the highest conversion rates. Is that expected?
- The conversion rate in Russia is less than half that of the other top countries. Can we do anything differently there, and is it worth the effort required?



Shown for top 10 countries

# Customer retention

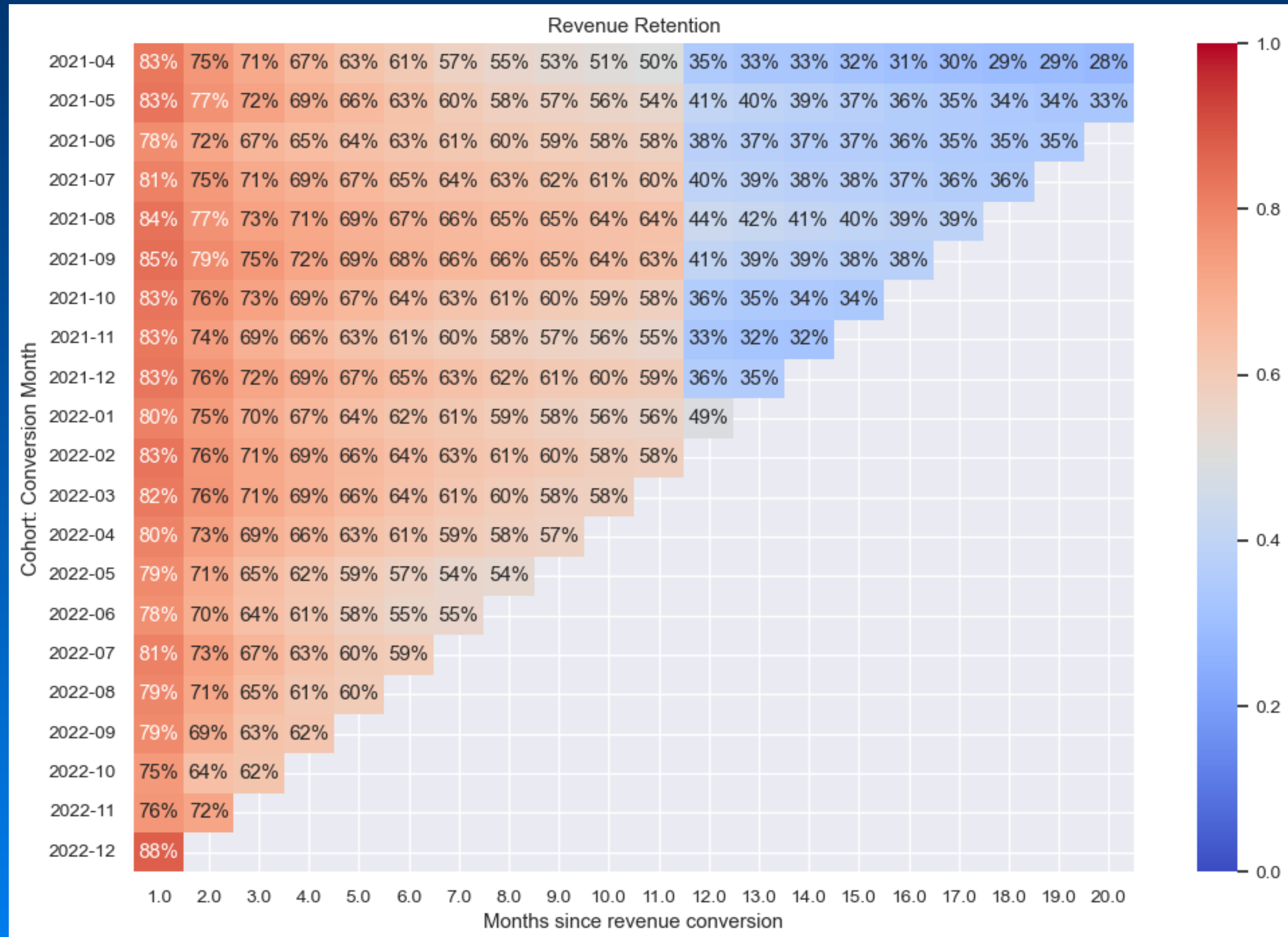
- Customer retention after one month ranges between 80-93%. How does this compare to our product category?
- Retention grew to Nov 2021 - Mar 2022, then declined. What accounted for that decline?
- At 12 months there is a steep drop in retention, typically a 15-20% reduction. Perhaps this was due to deactivations after considering an annual subscription renewal. Can we keep these customers on the free plan rather than cancelling entirely? It appears the 12-month retention has improved since the Nov 2021 cohort - we should watch to see whether that trend continues.





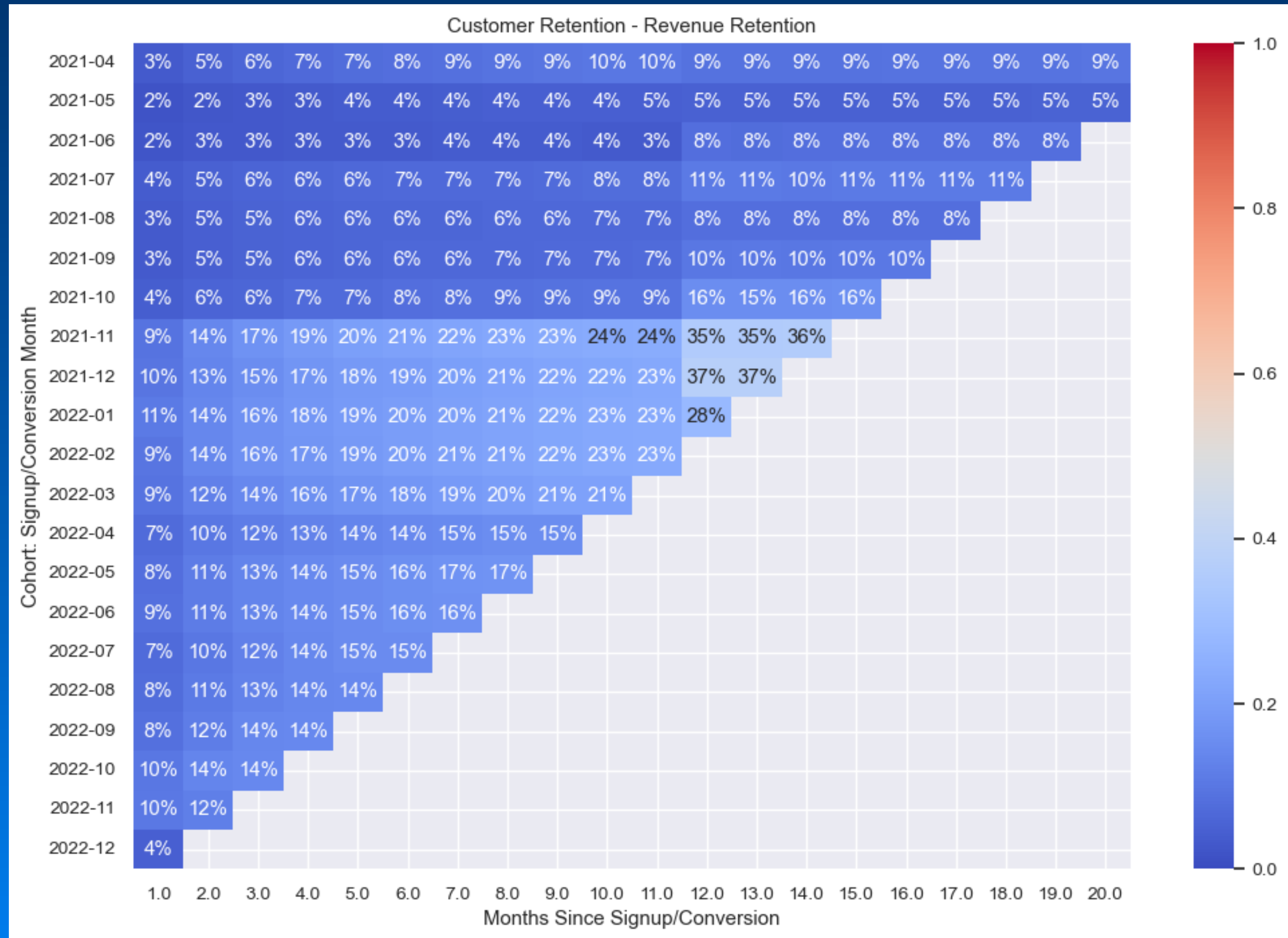
# Revenue retention

- Just as for customer retention, revenue retention also has a steep drop after 12 months, typically a 20% reduction. For revenue retention this would be expected if there is an additional payment required to renew an annual subscription. Can we do anything to hold onto these subscriptions?
- One-month revenue retention has declined from 84-85% in Aug-Sep 2021 to 75-76% in Oct-Nov 2022. What can we do to turn this around?



# Customer vs revenue retention

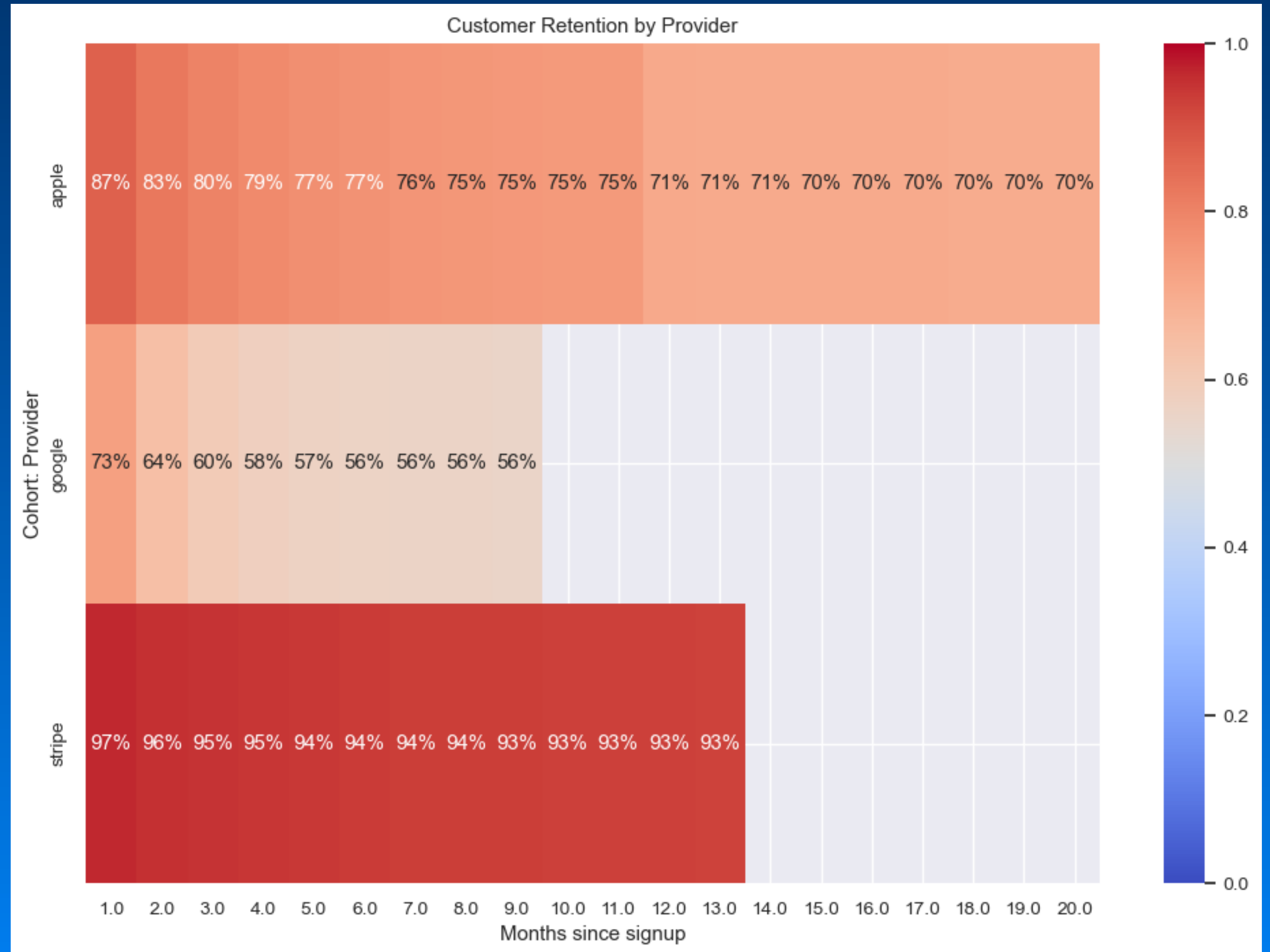
- This matrix shows the difference between customer retention and revenue retention, for a given number of months since inception.
- Revenue retention is expected to be lower than customer retention because the former requires payment. We see that customer retention is consistently higher than revenue retention.
- The retention difference more than doubled from the Oct 2021 cohort to the Nov 2021 cohort. Did the payment process become more onerous?
- The Nov 2021 - Jan 2022 cohorts show a larger difference between customer and revenue retention after the 12-month mark. This suggests that recently some friction was added to the annual renewal process.





# Customer retention by provider

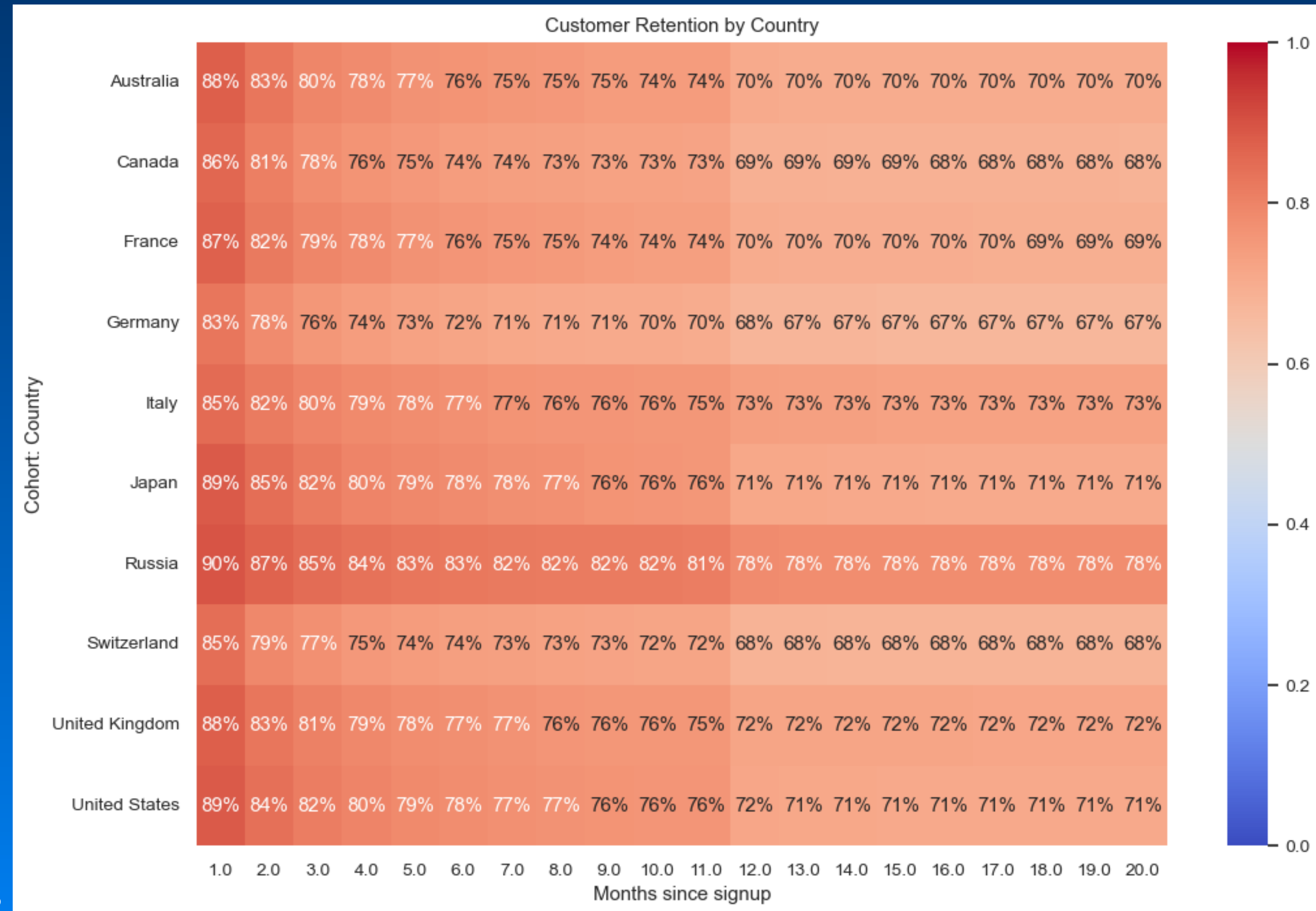
- Retention is dramatically different across providers. As with the conversion rate, the root cause of this should be investigated.





# Customer retention by country

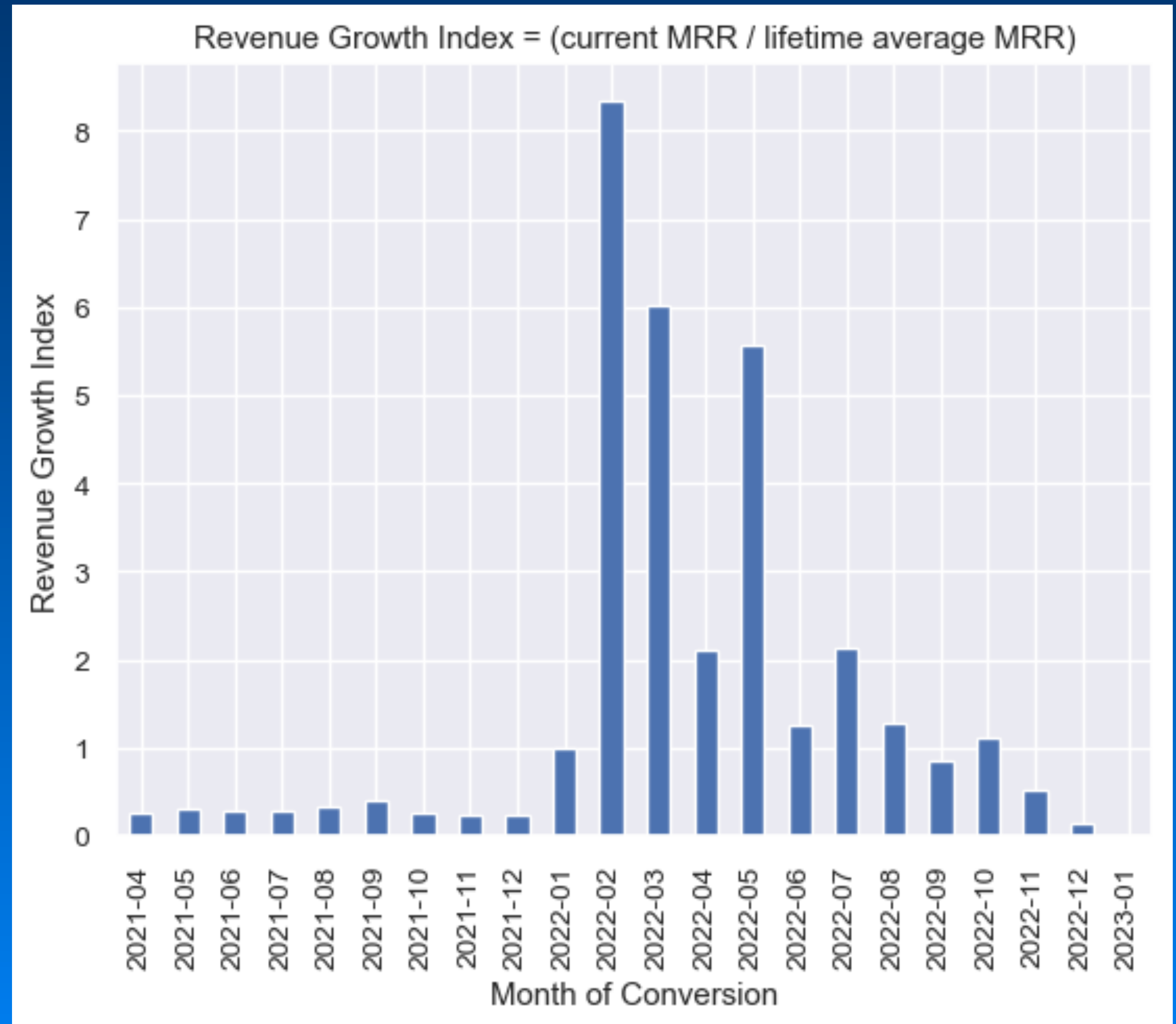
- 12-month retention varies from 78% (Russia) to 68% (Germany).



Shown for top 10 countries

# Customer revenue growth

- A Revenue Growth Index (RGI) is calculated as the ratio of current MRR to lifetime average MRR.
- Customers converting from Apr-Dec 2021 have  $RGI < 1.0$ , indicating a decline in revenue over time.
- After Jan 2022 many cohorts show  $RGI > 1.0$ , indicating growth in revenue over time.



# Customer delinquency

- There was a spike in delinquency in Dec 2021 - Jan 2022, which was quickly tamed.
- Delinquency grew in the second half of 2022.

