ortto

The retention mindset:

How growth marketers can pivot from acquisition to retention



We've been here before.

"In the current downturn, many companies are *tightening belts*. But too many are missing their biggest opportunity to keep costs down: *building loyal relationships with customers and other stakeholders.*"



Frederick Reichheld
Bain & Company

Sounds like it could have been written yesterday, right? Actually, it was written more than 20 years ago by Frederick Reichheld (the Bain consultant who invented the Net Promoter Score).

Companies have long known that retention is important to cutting costs and growing sustainably. But in the past few years, it's become much less of a focus. This has been thanks, in part, to an influx of venture capital that allowed many marketing teams to double down on their acquisition channels—spending to fill the top of the pipeline and contribute to new revenue, without worrying too much about what happens after a marketing qualified lead (MQL) is passed to sales or the deal is closed-won.

But now, we're experiencing a reckoning.

It's like pulling the plug from a bathtub while the water is still running—as long as the water drains at an equal rate as the tub fills, it'll always look full. But as soon as you turn off that tap, the water will quickly disappear.

And that tap has just slowed to a trickle.

Thanks to the current economic downturn, it's become impossible to ignore the problem of churn. But that's not entirely a bad thing—in fact, focusing on retention can open up a host of other benefits for your business. In this guide, we'll walk you through exactly what retention is, why it matters, and concrete strategies you can use to reduce churn and increase your customer loyalty.

Let's jump in.

"*Retention has always been key to the success of a business*, but there are a few factors converging that will make it critical for the next two years. Apple's app-tracking transparency has made paid ads more expensive and harder to track—so acquisition through paid channels is getting harder and harder to forecast. We're also seeing the effects of the economy making it harder for businesses to allocate resources to acquisition—cash is harder to come by with rising interest rates and venture capital money is spooked. *The businesses that will survive this time are the ones who focus on the bottom of the funnel*. Businesses that are able to reduce churn and leverage their existing customer base for growth through community and referral will find their money goes a lot further, which is going to be key in this advertising landscape—and economy."



Sarah Stockdale
Founder and CEO of Growclass

Table of contents

Chapter 1

Customer retention: A quick review

Chapter 2

The benefits of customer retention amid economic uncertainty

Chapter 3

How to build an effective retention strategy

- Refine your ideal customer profile (ICP) definition
- Turn your ICP insights into action
- Refine and optimize your strategy

Chapter 4

Final thoughts



Chapter 1

Customer retention: A quick review

In a nutshell, customer retention refers to your ability to maintain your customer base over time—whether that means your customers continue their subscriptions or keep purchasing your products.

Customer lifetime value (CLTV) is a measure of the value of a retained customer. You can calculate it using the below formula.

High customer lifetime value is an indicator that you're doing a good job at retaining customers.

Customer lifetime value formula

CLTV = Average customer lifespan × Average revenue per customer

“The intent of any acquisition effort isn't just to bring in any new customer unit, it's to bring in a customer *who generates a large value to the company over a long period of time*. With this in mind, it's critical to be cognizant of customer segmentation and differences in lifetime value generated from acquisition efforts. When retention decreases, customer lifetime value decreases, which in turn means that less money can be profitably spent on acquisition. *Over time, movements in retention feed on themselves in either virtuous or vicious cycles*.”



Sam Larsen
Senior Director of Growth at Autodesk



Chapter 2

The benefits of customer retention amid economic uncertainty

1. Survive (and even thrive) during the downturn

Having loyal customers who are willing to buy from you time and time again means you're less likely to be affected by market fluctuations. Focusing on retention is one of the best things you can do to build resilience as a company.

> Profitable and mature companies with large, active customer bases are *better equipped* to handle downturns, especially if more than 75% of their revenue comes from *existing customers*.
>
> — TechCrunch

Mixpanel case study

In 2018, Mixpanel, a leading product analytics software company, was struggling with a big churn problem. This was the result of a lot of factors, including jumping the gun on too many new product lines and trying to move upmarket too quickly. This led to low-performance metrics like:

- Low weekly active users
- A Net Promoter Score of 15
- A gross dollar retention of 50%

So, the Mixpanel team set out to tackle the problem. They worked on improving customer segmentation, fixing their messaging, and even deprecating some products that weren't serving their customer base. By tackling their retention issue head-on, they were ultimately able to raise $200M and achieved unicorn status in 2021.



Gross dollar retention



NPS



Weekly active users

2. Grow faster

If you're not maintaining your customer base, growing your business is like trying to build on shifting sands. Keeping your existing customers allows for a smooth, upward growth trajectory.

> Companies with best-in-class retention *grow 1.5-3x* faster than their peers.
>
> — ChartMogul

3. Upsell more easily

It's easier to sell to people who trust you and understand the value your product provides them. For many companies, this is a huge revenue opportunity: Once you land a loyal customer, you can continue to expand your business together.

> The probability of a successful sale with a new prospect is just 5-20%, while the probability of *a successful sale with an existing customer is 60-70%.*
>
> — Marketing Metrics



Chapter 3

How to build an effective retention strategy

Developing a successful retention strategy is a three-step process that starts with refining your ideal customer profile (ICP) through quantitative and qualitative analysis, turning those insights into action with fit scores and lifecycle campaigns, and then continuously optimizing and refining that strategy over time.

Pro Tip

These three steps don't necessarily need to be tackled chronologically.

Figure out which area feels like it might pose the biggest risk to your business's success, success and start there.

Refine your ideal customer profile (ICP) definition

"By examining audiences and targeting the most successful groups, companies can gain a better understanding of the *characteristics of their most valuable customers*, allowing them to tailor their retention efforts accordingly."



Amy Farr-Jones
Growth Principal at ikaros

For many of us, our products could serve an incredibly wide range of customer profiles. The reality is, however, you're not going to acquire every prospect nor retain every customer, so you need to know where to focus your efforts.

Step one in the process of shifting to a retention-first mindset is (re)defining your ideal customer profile (ICP) to get clear on what high-value customers look like for your organization. If you already have an ICP defined, that's great—but consider whether it might be time to refresh it.

Ideal customer profile:

A term for the collection of attributes that define accounts that are expected to become a company's highest-value customers. These attributes might include demographics, firmographics, behavioral signals, or other qualities.

High-value customers vs. high churn risk

High-value customers	High churn risk
✅ Quick sales wins	❌ Draining and effortful sales process
✅ Customers seeing a lot of value	❌ Customers who don't see as much value
✅ Loyal and reliable	❌ Burden on resources (even if they pay you a lot of money)

How to find your highest-value customers

To determine who your best-fit customers are, you'll want to look at your data and pick the brains of your customer-facing team members.

Quantitative analysis
Analyze your data to gain a better understanding of the granular makeup of your high-value customers and what they have in common. Consider things like high CLTV, high average contract value (ACV), strong product engagement, and high NPS.

Similarly, make sure to look at data from your churned customers to see if you can identify patterns that made them a high churn risk.

Qualitative analysis
Speak to sales and members of your customer success team to understand red and green flags they look for.

Ask sales:

- What inbound conversations tend to be the easiest wins?
- What kinds of conversations are a lot lower confidence when they come inbound?
- Which profiles are you most excited to see?
- What types of profiles take the most resources to win?

Ask customer success:

- Which customers understand the value of the platform and use it effectively?
- Which customers require the least amount of intervention?
- Which customers suck up a lot of resources?

Ideal customer profile template

Sample ICP criteria	Example
Company size	Mid-market
Industry(ies)	Tech, services
Geographic location	Europe, North America
Annual revenue	$50–500 million
Tech stack	Zendesk
Role(s)	Customer success, admin/IT
Seniority level(s)	VP, Director
Skill sets	Customizing agent workspace, aligning environments
Signals	Rapid growth (recent funding round, actively hiring, etc.)
Other	Other business-specific attributes

Go through several rounds of refinement

This isn't a one-and-done process—you might need to go through a few rounds of iteration to land on an effective ICP definition. For instance, you might complete a round of quantitative analysis, but then uncover new perspectives from talking to sales that prompts you to interpret your data in a different way. Or they might highlight a gap in your data that you haven't yet considered.

Example:
You discover from speaking to sales and customer success that large teams are a great fit for your product—but you aren't yet measuring team size in your data.

Once you've collected your data, put together a tidy summary of your ICP, highlighting all of the important information you've learned. This might include:

- **Demographics:** Job functions, seniority levels, skill sets, etc.
- **Firmographics:** Company size, industry, geographic location, annual revenue, tech stack, etc.
- **Signals:** Actively hiring, recent funding round, launch of new products, etc.

Turn your ICP insights into action

“Know the behavior you want to see in your repeat users and explore every option to get them there faster and happier. *More than anything, know how your product works—invest the time building customer empathy by being your own customer as often as possible*. Then, you'll know firsthand why a person might struggle to return, and you can fight the battle *from the inside*.”



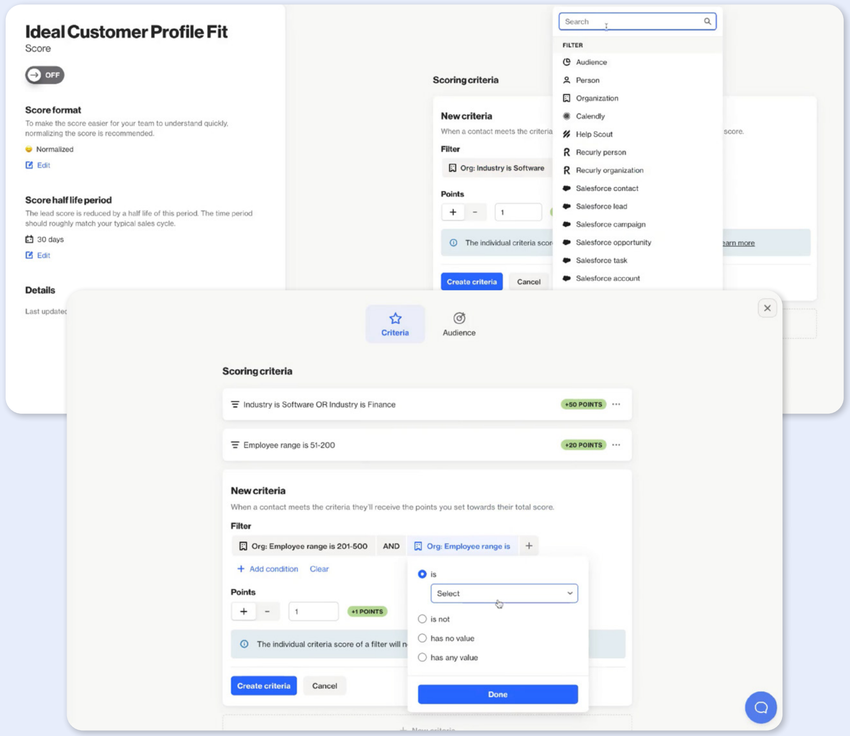
Kiley Sheehy
Growth & Success Expert

With a clear ICP definition, you can now start strategizing on how to target your best-fit customers. This includes attracting higher-value customers into your funnel as well as nurturing the best-fit customers you already have.

But first, you need a way to measure people in your funnel against your ICP definition. That’s where fit scores come in.

Create fit scores

Fit scores are a powerful tool for understanding your audience, spotting trends, and executing your ideas.
Note that fit scores are different from engagement scores—fit scores show you how well a customer fits your ICP criteria based on their demographic and firmographic data, while engagement scores also take into account the customer’s intent (whether they’re actively interested in a solution like yours). Your engagement score might capture things like prospects’ content consumption, clicks on calls-to-action (CTAs), and behavior in a free version of your product, in addition to those fit criteria.



Using your marketing or sales automation tool, you'll want to set up a fit score using the criteria from your ICP definition. You can also weigh different variables as more or less important by assigning them a different number of points. Depending on what tool you use, you may also be able to assign negative point values for any variables that are indicative of high churn.

With fit scores aligned to your ICP definition, you now have a lens for evaluating where your biggest opportunities lie across the customer lifecycle.

We recommend *keeping your fit and engagement scores separate because they serve different purposes.*

Your marketing qualified lead (MQL) or product qualified lead (PQL) scores track leads through your funnel and signal the appropriate time to engage. Your fit score, on the other hand, allows you to understand pure ICP alignment without influence from these engagement signals.



Make smarter acquisitions

Churn prevention begins with acquisition—high-fit acquisitions will have a higher propensity to retain over time. Some of the key things you should look at with a critical, ICP-first lens, include:

Channel performance

- Which channel(s) does your ICP primarily engage with? Are you allocating enough resources to these channels?
- Do any channel(s) bring in a lot of leads, but tend to be lower fit?

Gaps

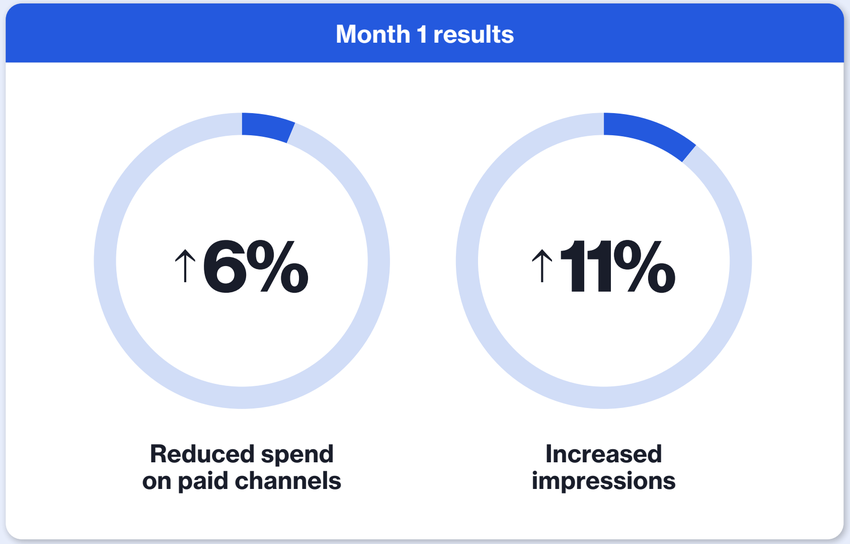
- Identify untapped opportunities to engage with your audience (eg., do folks from your ICP loathe Twitter but eagerly read Substack?).

Messaging

- Which topics, voice, and tone best speak to your audience?
- Are there certain messages that resonate most with your ICP and others that resonate most with low-fit leads?

Content

- Does your existing content align with the topics your ICP is most curious about?
- What new topics should be added to your content roadmap to best capture their attention?





Ortto case study

At Ortto, we were spread across quite a few channels with good potential and okay acquisition performance—but the reality was many leads from these channels weren't a great match for our ICP and we weren’t mastering those that were. Abandoning those channels was necessary to focus on the ones that mattered most. This also helped free up headspace to start tackling the gaps where we knew our audience was but we weren’t present yet, plus tackle our messaging and content.

Here's what we did

- Audited our existing acquisition channels
- Abandoned channels bringing in low-fit leads
- Optimized channels bringing in high-fit leads but poor ROI
- Launched new channels
- Overhauled our messaging (which fed into successfully optimizing and launching channels)

Ultimately, we reduced spend and increased impressions—one month later, we also saw an increase in both volume of leads and the quality of those leads.



Nurture best-fit customers

In addition to making better acquisitions at the top of the funnel, you should also focus on best-fit customers within your existing database. Identify who meets your new ICP definition and could use some additional attention, so you can create lifecycle programs with them in mind.

What not to do

Create one or two generic nurture journeys that you drop everyone into.

"Retention cohorts are God's gift to growth marketers— track your cohorts over time and see how engaged they are based on your key behavioral metrics: For example, how often they come back to the site across their lifetime to either transact or do what you want them to be doing."



Eddie Dostine
Co-founder at Leesy & Growth People



1. Make audiences

Use your ICP fit definition to look across your existing database of prospects and customers to spot cohorts where your biggest opportunities lie. For instance:

- **Free trial users**
  Identify those who are heavy product users on a free trial, since they're likely to convert to paid plans.
- **Paid users on lower-tier plans**
  Look for those bumping up against the limits of the functionality they've paid for since they'll be ideal folks to upsell to.
- **Customers with low product/ feature adoption**
  Identify which functionalities users have access to but aren’t using. Consider how you could help them discover and engage with those offerings to get more value.
- **Power users**
  Understand how your ICP-fit customers tend to engage with and adopt new features. How can you tailor your next product launch to them?
- **New team members**
  Think about how you can help onboard new team members into your customers’ product instances quickly and smoothly.
- **Industry or persona-based groups**
  Identify trends among buyer personas within your ICP that you could address.

Example lifecycle campaigns

Audience	Campaign Objective	Campaign Considerations
Free trial users	Nudge toward upgrading to a paid plan	• Retargeting in ad platforms, emails, push notifications • Highlight features they'd unlock and examples of success stories from relevant customers • Sales alerts to signal appropriate time for AE outreach
Paid users on lower-tier plans	Nudge toward upgrading to a higher tier	• Email and push notifications • Limited free trial of premium features • Highlight features they'd unlock and examples of success stories from relevant customers • CSM alerts to signal appropriate time for customer success outreach
Customers with low product/feature adoption	Feature discovery and engagement	• Email, push notifications, in-product nudges • Explain value of unused features, share example use cases, provide helpful onboarding resources • CSM alerts to signal appropriate time for customer success outreach
Power users	Help power users start making the most of new features	• Retargeting, email, and push notifications • Thought leadership content to educate on strategic value • New feature walk-through videos and tutorials
New team members	Help new team members become productive quickly	• Email, push notifications, in-product nudges • Walk-through videos and tutorials • CSM alerts to signal appropriate time for customer success outreach
Industry or persona-based groups	Address current trends	• Timely newsletter • Industry/persona-specific thought leadership content, and relevant case studies

2. Build lifecycle campaigns

Use automation to create campaigns that target these unique cohorts of users with timely, personalized messages. Begin to target the audiences you just created with content that moves them toward the action you want them to take.

On the left, here are some examples you can use as thought-starters for your own campaigns.



3. Involve the whole team

Your retention strategy shouldn't live in a silo—the whole business needs to rally behind servicing your ICP. Consider where any campaigns or programs you design will intersect with the effort of other teams, such as product, sales, and customer success. Ideally, you'll want to work closely with them to ensure the end user has a smooth experience.

For instance, if it's possible within your marketing automation tool, you might want to set up automated sales alerts to indicate the appropriate moment for account executives to reach out to a free-trial customer for a meeting.



Refine and optimize your strategy

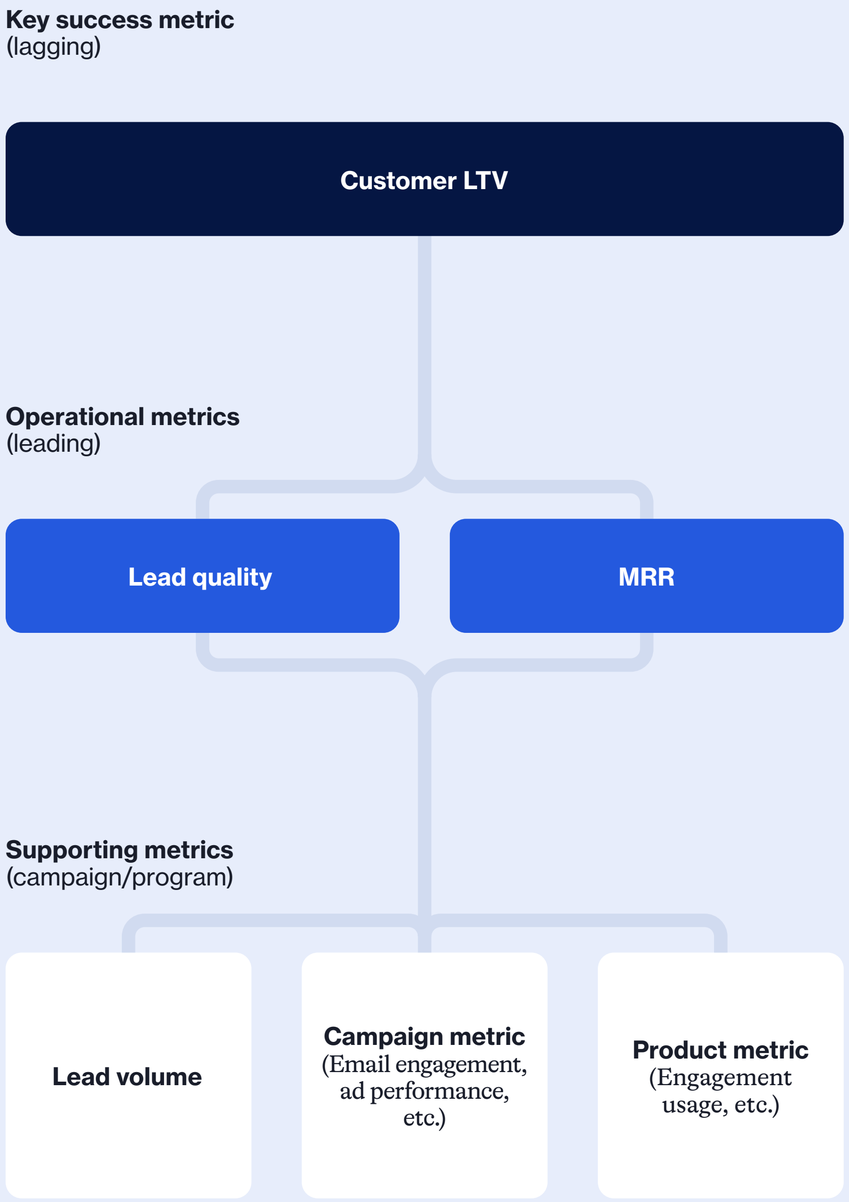
Once you have your ICP, scoring, and campaigns set up, the natural next question is: What's working?

That's where reporting comes in. You want to set up your data reporting processes so you get a good sense of what's going well and where you can continue to refine your strategy.

"What does great reporting achieve? *Insanely strong business development intelligence* that allows for marketing, sales, and customer success to have an integrated workflow and understand each other's functions more clearly. *This empowers better overall decision making.*"



Daniel Bunten
Marketing Manager at Streem



1. Define your key metrics

To track whether your campaign is getting the results you need, it's important to define some key metrics. Ideally, this should be a combination of leading and lagging indicators. Early indicators can help alert you to whether a change is starting to take effect, while long-term indicators (like customer lifetime value [CLTV]) can definitively show you whether your strategy is paying off in terms of retention and revenue.

You can think about your metrics in tiers: You'll have a key success metric—CLTV—but it's lagging, so it'll take a while to see the effects of your actions paying off.

You'll also need leading metrics that will be indicative of change, as well as supporting metrics at the campaign or program level to help you make optimization decisions. These all serve the purpose of helping you understand the effects on your CLTV better.

Key success metrics:

- Retention
- Customer lifetime value (CLTV)

Leading indicators:

- Lead volume
- Lead sources
- Lead quality
- Monthly recurring revenue (MRR)
- Conversion rates at key points in the funnel
- Average contract value (ACV)

We recommend keeping your list of supporting metrics fairly short. Optimizing for everything means that you're optimizing for nothing. While you can certainly look at more metrics than those listed above, only these select few should inform your decision making.

“How will you know your strategy is working? *Customer churn numbers should reduce*, but generally, your sales team should start to see the impact of marketing retention strategies. Sending quantitative and qualitative surveys to existing customers and to your sales team is a *great way to measure*. Your customer service team can also be an *excellent source of information*.”



Lara Vandersluis
Senior B2B Marketing Lead, Equifax

2. Set up your reporting infrastructure
Once you’ve chosen your key metrics, you can set up your reporting infrastructure that enables you to understand how you’re performing against those metrics—as well as the key variables that influence them.

Like we’ve already said—you can track an abundance of metrics but that doesn’t mean you should. It’s important to keep in mind that capturing unnecessary data can eat up a lot of development resources, so be judicious in the metrics you choose to track. It’s important to know your goals as well as what data you need to capture in order to be able to measure your progress.

Checklist for *building great reporting infrastructure*

- ◯ **Understand your goals**
  Clearly define your goals so you know what data you need to capture.
- ◯ **Build your data architecture**
  Create a system for collecting, recording, and accessing the data you’ll need to assess performance against goals.
- ◯ **Audit your data capture**
  Refine your sources to ensure you’re capturing the data points you need, and consider eliminating any that don’t provide value.
- ◯ **Give access and ensure confidence**
  Create your reporting setup and enable your team so they can easily and confidently access the data they need.



Chapter 4

Final thoughts: Put in the stopper before you fill your bathtub

Without retaining your customers, it's impossible to achieve sustainable growth. This isn't news—it's something that businesses have known for a long time. We've just had the luxury of forgetting.

Now's the perfect time to act on this long-held wisdom and build a retention strategy using the information and data you already have on hand. You just have to think about your audiences, channels, and campaigns in a slightly different way.

So take a look at your process and ask yourself:

- Do I have a strong sense of my ideal customer profile?
- Are my campaigns focused on my ICP?
- What is my reporting telling me?

Building the ideal retention strategy takes time and patience, but the potential return on investment for your business is huge. **Aim for progress, not perfection—it will pay off in the long run.**