

BoostUp[!]

Renewal Forecasting 101

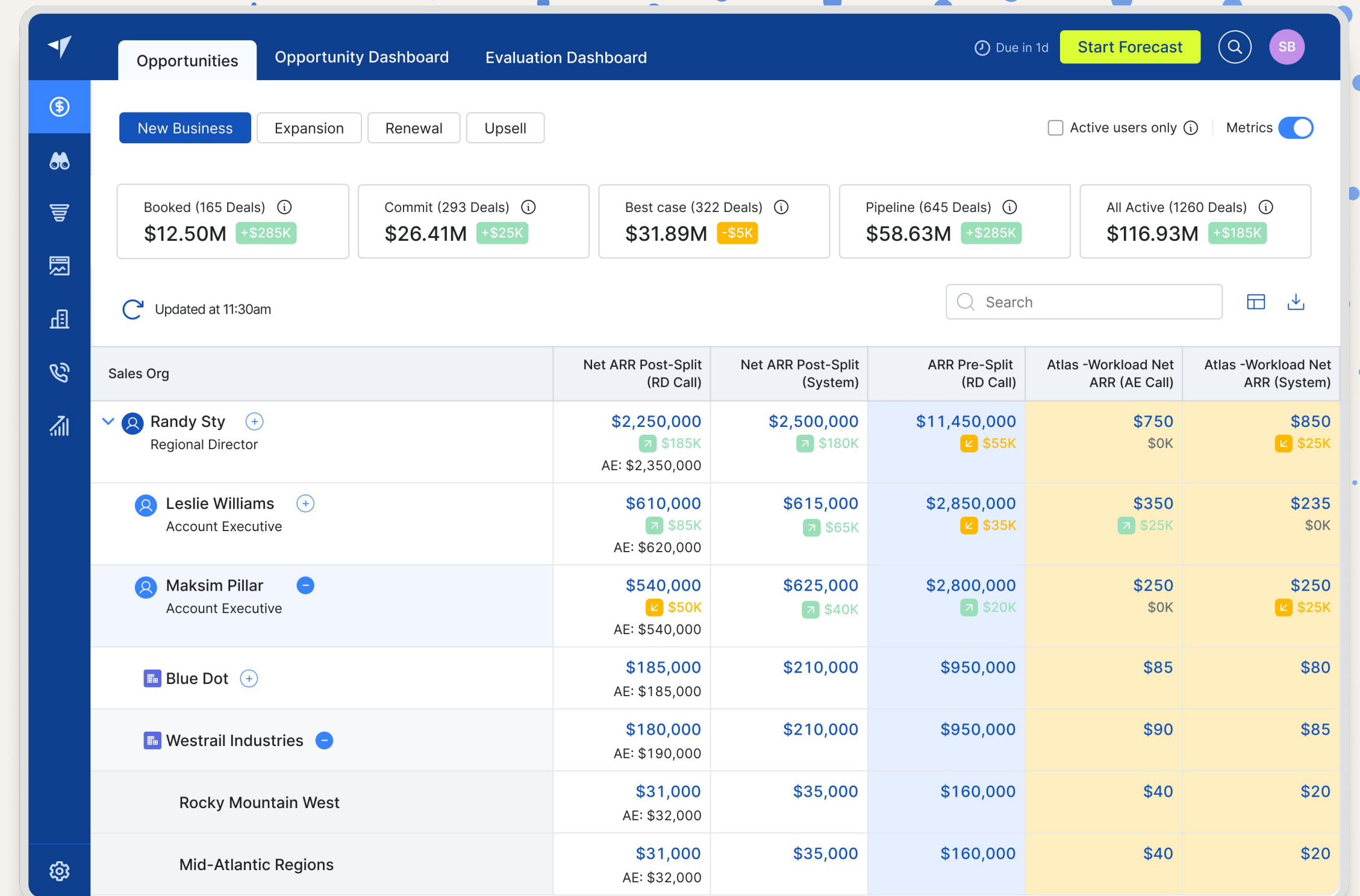
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Build forecasts for any unit and any rollup hierarchy.

BoostUp's modern architecture enables revenue teams to build forecasts for any unit, including opportunities, renewals and expansions, new users, workloads or ad units. It can also be adapted for any rollup hierarchy, including the sales teams, accounts, product feature sets, or operating units.

[See BoostUp in action ↗](#)



Understanding Renewal Forecasting

Renewal forecasting projects future revenue from existing customers through contract renewals, upsells, cross-sells, and expansions over a specific period.

Whereas general sales forecasting focuses on acquiring new customers, the focus of renewal forecasting is on retaining and growing the existing customer base, which requires an intimate understanding of customer health, engagement levels, product usage, and historical purchasing behavior.

In economically challenging times when growth is minimal, protecting and securing your business's bottom line is more important than ever before. Chief Customer Officers are forced to provide more transparency and insights in their renewal predictions, which effective forecasting can deliver. Accurate renewal forecasting is vital because it influences top-line growth projections and provides insights into the overall health of a recurring revenue business model.



Source: Paddle.com

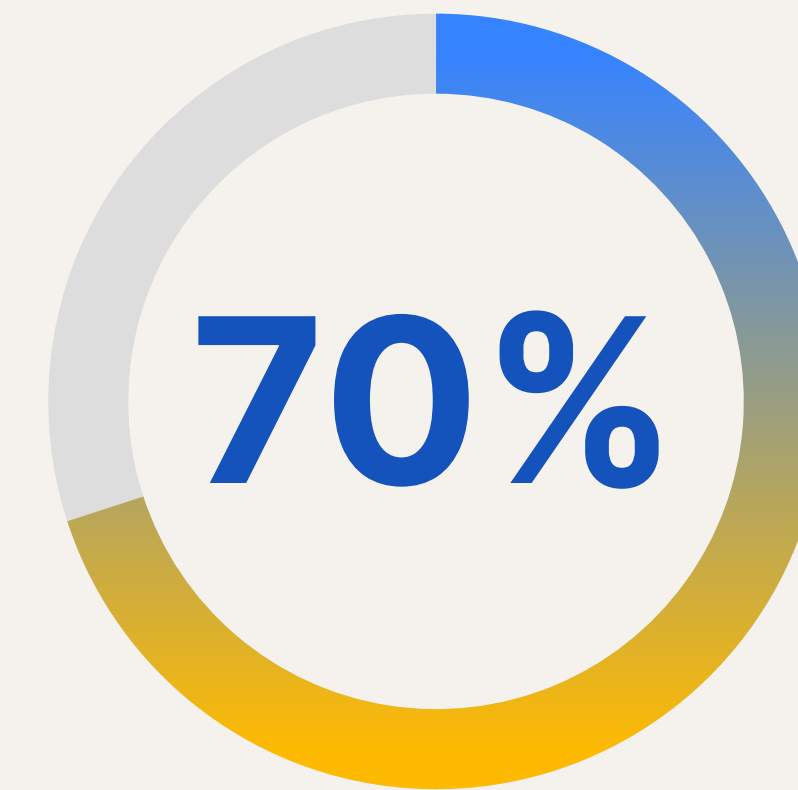
Accurately forecasting contract renewals is essential for creating sustainable revenue growth. Customer acquisition costs for B2B businesses have increased by almost 70%¹ compared to six years ago, and 46%² of annual recurring revenue (ARR) comes from renewals and expansions across B2B SaaS companies. Without effective renewal forecasting workflows, or the management insights and capabilities to hold teams accountable, the risk of unpredictability in revenue projections grows, amplifying problems like inefficient resource allocation, unexpected churn, and missed upsell opportunities.

Mastering renewal forecasting transforms these challenges into opportunities:

- **Predict revenue accurately:** Provides a clear picture of future revenue streams, aiding in financial planning and stability.
- **Optimize resource allocation:** Ensures that sales and customer success teams are focused on the right accounts at the right time.

- **Identify at-risk customers early:** Flags potential churn risks so proactive measures can be taken to retain these customers.
- **Improve sales and customer success strategies:** Informs strategies for upselling, cross-selling, and customer engagement based on data-driven insights.
- **Enhance customer satisfaction:** By anticipating customer needs and addressing potential issues before they arise, companies can improve overall customer satisfaction and loyalty

Companies can not only project future revenue more accurately but also gain insights into customer loyalty and product/service effectiveness.



increased CAC for B2B businesses, compared to six years ago

References:

¹ Paddle.com: [How is CAC changing over time](#)

² Key.com: [2022 SaaS Survey](#)

Chapter 1: Foundational Elements of Renewal Forecasting

Centralized Data and Processes

Accurate renewal forecasting starts with a centralized renewal management system. This system should integrate data from various sources, providing a comprehensive overview of all upcoming renewals and associated metrics like renewal amounts, contract terms, and account context.

A centralized data repository ensures consistency and accuracy by consolidating all renewal data into a single system. Automated data capture reduces manual errors and ensures up-to-date information by pulling data from various customer interactions and touchpoints.

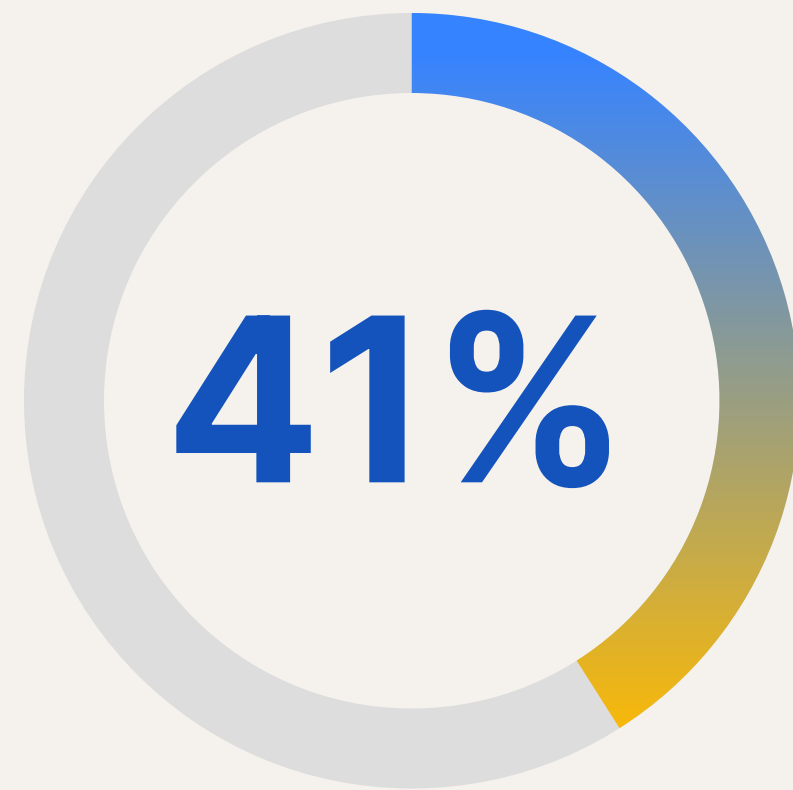
Standardizing renewal processes across the organization ensures everyone follows the same procedures, leading to more reliable forecasts. A centralized system offers full visibility into the renewal pipeline, enabling better management and prioritization of renewals.

Integration with CRM and tools that capture customer engagement and product usage is crucial. The renewal management system should integrate seamlessly with your existing CRM and other tools to capture all relevant data. Real-time updates are essential for maintaining the accuracy and relevance of the renewal pipeline.

Key Metrics to Track

Accurate renewal forecasting relies on tracking the right metrics. While the renewal rate is a fundamental metric, several additional metrics provide a fuller context for forecasting.

Renewal Rate: The renewal rate is the percentage of customers who renew their contracts within a given period. This metric is a primary indicator of customer retention and satisfaction. High renewal rates suggest strong customer loyalty and effective customer success strategies.



of companies measure their CS team's performance by expansion revenue

Upsell Rate: The upsell rate measures the percentage of customers who purchase additional features or higher-tier products at the time of renewal. This metric indicates growth opportunities within the existing customer base and helps identify customers who are ready for enhanced offerings.

Expansion Rate: The expansion rate tracks the percentage of customers who increase their usage or add more users to their subscription. Like the upsell rate, this metric points to potential revenue growth from existing customers and shows which customers are expanding their engagement with your products or services. Notably, 41%³ of companies measure their customer success team's performance by expansion revenue, underlining its importance.

Churn Rate: The churn rate is the percentage of customers who do not renew their contracts. This metric is critical for understanding revenue leakage and identifying areas where customer retention efforts may need to be strengthened. A high churn rate can signal dissatisfaction or competitive pressures. Smaller companies should anticipate a net revenue churn rate of 10-15%⁴, while larger companies typically experience rates closer to 5-7%⁴.

Shrinkage Rate: Shrinkage rate measures the reduction in contract value upon renewal due to customers downgrading their plans. This metric is essential for understanding the factors contributing to decreased revenue from existing customers and addressing those issues proactively.

Net Renewal Rate (NRR): Net Renewal Rate combines renewal, upsell, expansion, and churn rates to provide a holistic view of revenue changes from existing customers. NRR offers insights into overall revenue health and growth potential, making it a vital metric for strategic planning.

Net Dollar Retention (NDR): Net Dollar Retention measures the percentage of recurring revenue retained from existing customers over a specific period, accounting for upgrades, downgrades, and churn. It is calculated by taking the starting recurring revenue, adding any expansion revenue, and subtracting revenue lost due to churn and downgrades. NDR is a critical metric for understanding the overall health and growth potential of a company's customer base. High NDR indicates effective customer retention and successful upsell strategies.

References:

³ Benchmarkit.ai: [Customer Success Index North America 2023](#)

⁴ Kenmoo.me: [B2B SaaS Churn Rate Benchmark Guide](#)

In addition to these more general metrics, it is crucial to assess customer health metrics to gain a deeper understanding of customer behavior and satisfaction. Customer health metrics help identify at-risk accounts and provide a more comprehensive view of renewal likelihood.

Overall Usage of the Product: This metric measures how frequently and extensively the product is used, indicating customer dependence and satisfaction. High overall usage often correlates with higher renewal likelihood.

Depth of Usage (% of Product Used): This metric shows how much of the product's functionality is being utilized. Greater depth of usage indicates the product's value to the customer and suggests a higher likelihood of renewal.

Breadth of Usage (# of Licenses): Reflects the number of users within the customer's organization, highlighting product adoption. A broader usage base can signify stronger integration and stickiness of the product.

Growth of the Account: Tracks the increase in product usage or account value over time, signifying expansion opportunities. Rapidly growing accounts often present significant upsell and cross-sell potential.

Length of Time as a Customer: Longer customer relationships often correlate with higher renewal likelihood due to established trust and integration. This metric helps identify stable, long-term customers.

NPS Type Account Health: Net Promoter Score (NPS) provides insights into customer satisfaction and loyalty, predicting renewal likelihood. High NPS scores typically indicate happy, loyal customers likely to renew.

Customer Engagement Activity: This metric tracks the frequency and quality of interactions with the customer, indicating their ongoing interest and potential for renewal. High engagement activity suggests a committed and satisfied customer base.

Chapter 2: Leveraging Technology for Accurate Forecasts

AI and Machine Learning

The advancement of AI and machine learning technologies has revolutionized renewal forecasting. These technologies analyze vast amounts of data to identify patterns and predict future outcomes with remarkable accuracy. AI models can process extensive historical data, such as renewal rates, customer interactions, and product usage patterns, to create highly accurate forecasts. This data-driven approach minimizes manual errors and biases, leading to more reliable predictions. Additionally, AI models continuously learn and adapt to new data, improving their forecasting accuracy over time.

Predictive analytics, powered by AI, can segment customers based on various attributes like usage patterns, engagement levels, and demographic data. For example, machine learning algorithms can identify customers who exhibit signs of potential churn by analyzing their recent activity and engagement with the product. AI can also detect patterns indicating

upsell and cross-sell opportunities, allowing companies to proactively address these opportunities. By analyzing historical data, AI can predict future customer behavior, enabling more strategic planning and targeted interventions.

Continuous training of AI models is essential for maintaining their accuracy and relevance. As new data is fed into the system, the models learn from these updates, refining their predictions. This ongoing improvement process helps AI systems adapt to changing customer behaviors and market conditions, ensuring that forecasts remain accurate.

Data Integration

Integrating data from various sources is essential for a comprehensive view of the renewal landscape. Combining data from CRM systems, customer support platforms, product usage analytics, and financial systems creates a unified dataset.

This holistic view enables companies to track all customer interactions and behaviors, providing a more accurate basis for forecasts.

These tools can automate data collection and ensure real-time updates, crucial for maintaining the accuracy of renewal forecasts. They also support data cleansing and validation processes, which are vital for ensuring data quality and consistency.

By leveraging AI, machine learning, and data integration, companies can significantly enhance the accuracy and effectiveness of their renewal forecasting. These technologies provide deep insights, automate processes, and ensure that decision-makers have access to the most relevant and up-to-date information.

Chapter 3: Mastering the Renewal Forecast Process

Setting Up Renewal Opportunities

Creating a structured process for setting up renewal opportunities in your CRM enhances forecast accuracy. Automating the creation of these opportunities based on contract renewal dates ensures nothing is missed. Pre-populating fields with key information such as renewal amounts, product details, and milestones reduces manual errors and streamlines the process. Defining specific forecast categories and renewal likelihoods ensures consistent evaluation of opportunities.

Integrating renewal opportunities with corresponding account and contact records in the CRM allows for seamless handoffs between sales and customer success teams, providing a comprehensive view of each customer's history and interactions. Customizing workflows in the CRM to reflect the renewal process—such as automated reminders for upcoming renewals and notifications for key milestones—ensures a smooth and efficient renewal process. Additionally, managing multi-year renewals requires

special considerations like revenue amortization schedules and long-term engagement plans, which should be integrated into your CRM setup.

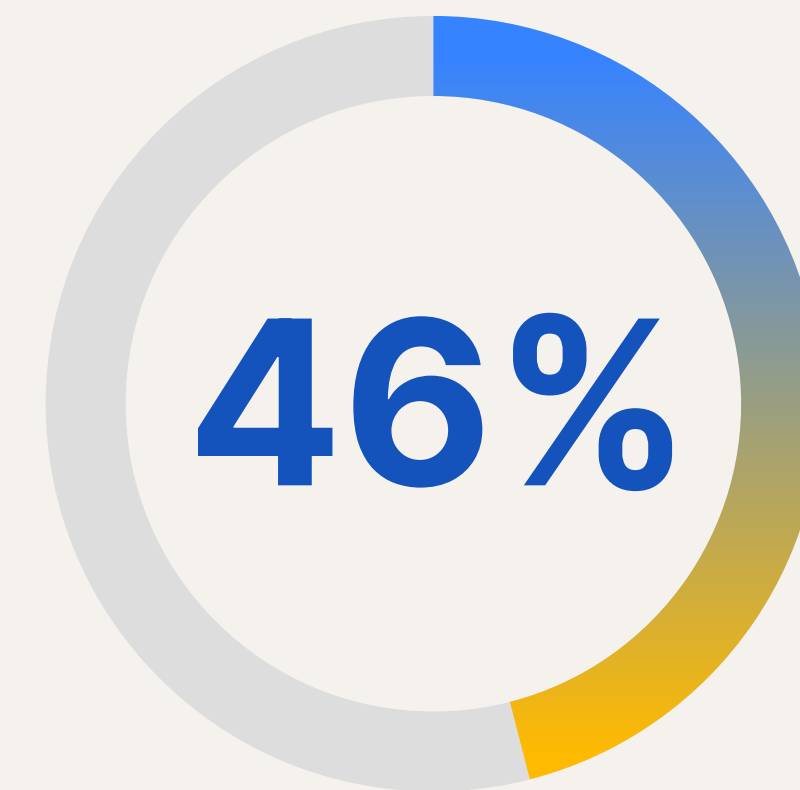
Qualitative Insights

Quantitative data provides a solid foundation, but qualitative factors add essential context for precise renewal forecasts. Customer health scores aggregate signals such as product usage, support interactions, and survey feedback into a unified rating that indicates retention risk. High health scores suggest satisfied customers likely to renew, while low scores highlight accounts needing attention.

Collecting qualitative data involves tracking customer engagement levels, including interactions with your products and services, satisfaction scores from surveys, and feedback from support tickets. This qualitative data is then integrated into the renewal forecasting model to provide a more comprehensive view of each customer's likelihood to renew. Contextualizing these insights with qualitative notes

from sales and customer success teams allows for a more nuanced understanding of each account, enabling more accurate and actionable forecasts.

By integrating both quantitative and qualitative data into your renewal forecasting process, you create a balanced and comprehensive view, leading to more accurate predictions and better strategic decisions.



46%
of ARR comes from renewals and expansions

Chapter 4: Driving Forecast Accountability

Assigning Responsibilities

Effective renewal forecasting requires clearly defining who is responsible for various aspects of the process. Typically, the responsibility is shared across multiple teams, each playing a distinct role. Customer success teams often lead the charge, given their close relationship with customers. They monitor key indicators and maintain up-to-date records of customer interactions and feedback. Sales teams contribute valuable insights from their interactions and negotiations with customers, helping refine forecasts and identify potential risks or opportunities.

Close collaboration between customer success and sales teams ensures that data is shared transparently and forecasts are aligned. Regular communication between these teams helps maintain focus on common goals and prevents any opportunities or risks from being overlooked.

Setting the Right Incentives and Ownership Structure

The question of renewal ownership varies significantly based on your organization's stage of development. For young companies, the sales team typically owns and executes the renewal process. As the organization matures and develops a Customer Success department, Customer Success Managers often take over the renewal process.

In many cases, a blended approach is used, where Customer Success manages the customer relationship, and the sales team handles renewal negotiations and contracts. Choosing a flexible platform that supports various deal and responsibility assignments is crucial. Equally important is implementing an effective incentive structure: reward sales teams for expansion business to meet their targets, while downsellings negatively impact their performance. This ensures renewals are prioritized as a critical aspect of your business's bottom line.

Forecast Reviews and Variance Analysis

Regular forecast reviews are essential for maintaining the accuracy and reliability of renewal forecasts. These reviews provide an opportunity to assess the current state of the forecast, identify discrepancies, and make necessary adjustments. Conducting these reviews on a weekly or monthly basis keeps forecasts aligned with actual performance and market conditions.

Effective variance analysis is a critical component of the review process. By comparing forecasted renewal outcomes with actual results, teams can understand the factors contributing to over- or under-performance. This analysis helps refine forecasting models and improve future accuracy.

Building a culture of accountability is vital for the success of the renewal forecasting process. Setting clear expectations, establishing performance metrics, and holding regular review meetings foster continuous improvement. Encouraging a mindset of accountability motivates teams to strive for accuracy and reliability in their forecasts.

Chapter 5: Strategies for Predictable Revenue Growth

Retention-Focused Engagement Models

Implementing retention-focused engagement models is crucial for predictable revenue growth.

Segmentation models to prioritize high-value customers allow for targeted efforts. By categorizing customers based on factors like annual recurring revenue (ARR), customer lifetime value (CLTV), and product usage, companies can focus on those most likely to renew and expand their contracts.

Named Account Management assigns dedicated account managers to high-value customers, ensuring personalized attention and tailored strategies. For lower-value segments, scalable digital nurturing—such as automated email campaigns, webinars, and online resources—provides necessary support and information, fostering engagement and satisfaction without intensive manual effort.

Proactive Upsell/Cross-sell Management

Managing upsell and cross-sell opportunities proactively is crucial for revenue growth. Identifying the optimal timing for expansion conversations is key, and achievable by monitoring product usage patterns, customer milestones, and lifecycle events. Customers reaching the end of an onboarding phase or showing increased feature usage may be ready for an upsell.

Understanding customer needs and aligning outreach efforts accordingly enhances upsell and cross-sell success. Regular check-ins to gather feedback, understand pain points, and present aligned solutions can significantly improve these efforts' effectiveness.

Connecting Forecasts to Revenue Goals

Linking renewal forecasts to overall revenue targets ensures alignment with organizational efforts and strategic objectives. Scenario planning and sensitivity analysis are valuable tools in this process. Creating various scenarios and assessing different factors' impact on revenue helps companies prepare for potential outcomes. Sensitivity analysis identifies variables with the most significant revenue impact, allowing for targeted strategies.

Organizational alignment is crucial, involving setting shared goals across sales, customer success, and finance teams. Regular cross-functional meetings and transparent communication foster a unified approach, driving consistent and predictable revenue growth.

Implementing retention-focused engagement models, proactively managing upsell and cross-sell opportunities, and connecting forecasts to revenue goals create a robust strategy for predictable revenue growth. This comprehensive approach ensures that all aspects of customer engagement and forecasting contribute to the organization's overall success.

Conclusion

Throughout this guide, we've explored the critical elements of renewal forecasting. We've discussed the importance of a structured process for setting up renewal opportunities, emphasizing the value of automating and standardizing these processes. We highlighted the significance of combining both quantitative and qualitative data, such as customer health scores and engagement levels, to create a comprehensive view for accurate predictions. Leveraging AI and machine learning for predictive analytics and integrating data from various sources were also covered, showcasing their roles in enhancing forecast accuracy. Finally, we delved into strategies for driving forecast accountability and aligning renewal forecasts with overall revenue goals to ensure predictable revenue growth.

Next Steps for Implementation

To improve your renewal forecasting processes, consider the following practical steps:

- 1. Centralize Data and Automate Processes:** Implement a centralized renewal management system that integrates with your CRM. Automate the creation of renewal opportunities and standardize data entry to ensure consistency and reduce errors.
- 2. Track Key Metrics:** Focus on both financial metrics (renewal rate, upsell rate, expansion rate, churn rate, shrinkage rate, NRR) and customer health metrics (overall usage, depth and breadth of usage, account growth, length of customer relationship, NPS, executive relationships, engagement activity).
- 3. Leverage Technology:** Utilize AI and machine learning for predictive analytics to enhance the accuracy of your forecasts. Ensure continuous model training to adapt to new data and changing customer behaviors.
- 4. Integrate Data Sources:** Combine data from CRM systems, customer support platforms, product usage analytics, and financial systems for a unified dataset. Use advanced tools for real-time updates and data consistency.
- 5. Foster Cross-functional Collaboration:** Encourage regular communication between sales, customer success, and finance teams to align goals and share insights.
- 6. Conduct Regular Forecast Reviews:** Establish a routine for reviewing forecasts and performing variance analysis to identify discrepancies and refine your models.
- 7. Build a Culture of Accountability:** Set clear expectations, establish performance metrics, and hold regular review meetings to foster continuous improvement and accountability within your teams.

By following these steps, you can create a robust renewal forecasting process that enhances decision-making, improves customer retention, and drives sustainable revenue growth.

About BoostUp

BoostUp's AI-powered Revenue Command Center equips sales organizations with the forecasting, sales coaching and deal inspection tools they need to deliver predictable and consistent growth. Companies such as MongoDB, Cloudflare, Teradata, and Udemy rely on BoostUp to increase sales productivity and accurately project revenue.

[See how BoostUp supports any revenue model.](#)