

## Substribе Performance Framework

see [www.substribе.co](http://www.substribе.co) for more information or contact [andy@substribе.co](mailto:andy@substribе.co) to explore your premium subscription goals

### The Core Message:

Subscription businesses live and die by their ability to retain and grow their customer base. Traditional metrics like ARR and new business can be misleading, masking underlying problems with customer retention. Substribе uses a framework focused on Gross Revenue Retention (GRR) and Net Revenue Retention (NRR) to accurately diagnose subscription health and drive sustainable growth. Using the same performance framework approach, Substribе also uses customer sentiment to explore the future, useful for product roadmaps, and early warning signals of change in Must Have Score™ (a metric closely linked to corporate purchasing).

### Key Themes:

**Importance of Existing Customers:** "A small improvement in growth from existing customers makes millions of dollars over a 5-year cycle." Emphasizes the substantial impact of optimizing customer retention and expansion on revenue.

**Shifting from Traditional Metrics:** Moving beyond "hunches" and basic "facts," Substribе advocates for using "specifics" – GRR and NRR – to understand the true health of a subscription business.

**Data-Driven Insights over "Fancy AI":** Consistent and accurate customer data trumps sophisticated AI tools, particularly for B2B information brands with a smaller customer base.

**Collaboration is Key:** "Subscription teams must collaborate to protect and grow the installed base." Highlights the need for cross-functional alignment to drive retention and growth.

**Addressing Institutional Resistance:** Acknowledges the challenge of shifting mindsets, quoting Upton Sinclair: "It is difficult to get someone to understand something when they believe their salary depends on not understanding it."

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**SubsTribE Framework:**

**Lifting the Parking Brake:** Evaluate if teams are incentivized to prioritize customer retention and base growth, not just new acquisitions.

**ARR: GRR | NRR:GRR (Protect):** Measures revenue retained from existing customers, excluding expansion. "Like fuel in a tank, you can't get more than 100% Gross Revenue Retention."

**NRR (Grow):** Measures revenue growth from existing customers, including upsells and price increases. "Like stepping on the gas...And it's risky to take your eyes off the fuel gauge (GRR)"

**SubsTribE Performance Model:** A 2x2 matrix plotting NRR against GRR, categorizing performance as "vulnerable," "resilient," needing a "reboot," or benefiting from "network effects."

**Diagnostics & Actions:** Identify Revenue Leakage: Analyze the gap between GRR and NRR to uncover potential revenue loss.

**Segment-Specific Strategies:** "Think performance by segment" and tailor strategies for different customer tiers based on their potential for NRR and GRR optimization.

**Focus on the Right Metrics:** Don't be misled by traditional metrics like ARR and new business alone. NRR and year-over-year growth can mask underlying issues.

**Seven Actionable Steps:** These include standardizing revenue retention measures, segmenting data, uncovering "bright spots," empowering relevant teams, and improving product-market fit.

**Conclusion:**

The SubsTribE toolkit provides a compelling case for shifting focus towards customer retention and expansion as key drivers of sustainable growth. By adopting the proposed framework and taking action based on data-driven insights, subscription brands can unlock greater revenue potential and optimize subscription business performance.

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## FAQs

### 1. Why are subscription metrics critical for my business?

Even small improvements in customer growth can lead to significant revenue increases over time. As your subscriber base grows, maintaining a steady growth rate requires more effort due to the law of big numbers. This means you need to focus on retaining existing customers and expanding their revenue to achieve substantial growth.

### 2. What's wrong with traditional subscription metrics like ARR?

Traditional metrics like Annual Recurring Revenue (ARR), while providing a snapshot of your business's current state, often fail to provide actionable insights into customer behavior and revenue trends. They can mask underlying issues, such as declining customer retention rates, and don't necessarily reflect the long-term health of your subscription business.

### 3. What are GRR and NRR, and why are they important?

**GRR (Gross Revenue Retention):** Measures the percentage of recurring revenue retained from existing customers over a specific period. It indicates how effectively you're retaining your existing revenue base.

**NRR (Net Revenue Retention):** Measures GRR and factors in expansion revenue from upsells, cross-sells, and price increases. NRR provides a more comprehensive view of your revenue growth from existing customers.

Analyzing both GRR and NRR provides a clearer picture of your subscription business's health, highlighting areas for improvement and growth opportunities.

### 4. How can I use GRR and NRR to improve my business?

**Identify churn risks:** Low GRR reveals customer churn problems. You can investigate the causes and implement strategies to improve customer retention.

**Uncover growth opportunities:** A high NRR indicates successful upselling or cross-selling. By analyzing successful strategies, you can replicate them in other customer segments.

**Optimize pricing:** Monitor the impact of price changes on GRR and NRR. This data-driven approach helps you find the sweet spot for maximizing revenue without negatively impacting retention.

### 5. What is the Substribе performance model, and how can it help?

The Substribе performance model is a framework that helps subscription businesses optimize their performance by focusing on two critical areas:

**Protecting the installed base:** Minimizing churn and maintaining a healthy GRR.

**Growing the installed base:** Expanding revenue from existing customers and increasing NRR.

The model provides strategies for each stage of the customer lifecycle, from creating value to evidencing value, rebooting fundamentals, and building network effects.

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## **6. Why is segmenting my customer data important?**

Segmenting your customer base based on factors like revenue, product usage, and engagement allows for a more targeted and effective approach to customer retention and expansion. You can tailor your strategies to meet the unique needs of each segment, maximizing their lifetime value.

## **7. What actions can I take today to improve my subscription metrics?**

Standardize revenue retention measures.

Analyze revenue data for trends.

Segment your customer data.

Identify and leverage customer value.

Amplify successful strategies.

Empower teams to own relevant ARR.

Improve your product-market fit.

## **8. How does Subsribe help businesses optimize subscription performance?**

Subsribe provides various services, including diagnostics, testing, and tracking, to help businesses understand their subscription metrics better and make data-driven decisions. By implementing Subsribe's framework and utilizing their expertise, companies can optimize their subscription model for sustainable growth and profitability.

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