

How to Build an Early Warning System

Creating an Early Warning System helps you move away from fire fighting and lets your customer success team focus on proactive customer retention. With an Early Warning System in place, alerts are generated about customers requiring attention - be it a customer with deteriorating health or an upsell opportunity that is set to renew soon. This solution is best suitable for teams operating in a high- to medium-touch engagement model.

KEY BENEFITS:

Become more proactive and data-driven: Ultimately make your team more effective in preventing churn and creating upsell opportunities by using data to drive a more proactive approach to managing your customer base.

Manage your entire customer base: Creating a health score for your customers gives your team an objective, consistent metric to track customer success across the entire base, not just the high dollar accounts.

Portfolio management: Customer Success Managers perform ongoing health-check-ins and utilize a set of active lists to monitor their customers, flag those that require attention and document their actions.

Executive visibility on overall progress: The Customer Success team can provide regular executive reports to share the status of customer health across the entire organization.

To get started building an Early Warning System here three important steps to follow:

1. DEFINE A CUSTOMER HEALTH SCORE

To effectively determine which customers need your attention you need a consistent and comprehensive way to highlight those at risk of churn as well as those who are happy with your service.

Get started by segmenting your customer based into different profiles depending on where they are within their customer journey. For example: free trials, onboarding, established, SMB, Enterprise, etc. Each profile needs a health score based on the expected behavior of the segment.

There are two types of health indicators that should be considered when building your health score, both proactive and reactive. The recommendation is that you include 2 to 3 proactive indicators and up to 2 reactive indicators.

Proactive indicators will tell you changes to customer accounts before having a human interaction. These are the best way to notify your Customer Success Team of negative or positive changes that they can act on.

- **Product Usage:** How often are users logging in and using key product features?
- **Business Outcomes:** Is the customer getting the end-result they purchased the product for?
- **Service Utilization:** Is the customer fully utilizing their subscription?

Reactive indicators are data collection points from your customer facing teams that provide qualitative information about a customer account. This data can provide useful action items for your Customer Success Teams but after often too late to do anything about.

- **Customer Feedback:** What anecdotal feedback collected by the extended customer team?
- **Support & Operations:** Does the customer have outstanding support, SLA or invoicing issues?

Once you have some sort of health score in place it allows you to prioritize and plan engagements as needed for your entire customer base. As you continue to collect data, these scores will evolve to become even more accurate over time.

2. CREATE CUSTOMER SUCCESS MANAGER ENGAGEMENT PLANS

In addition to monitoring health scores, your team should actively monitor their portfolio and identify customers that reach important milestones on their customer journey. For example it's important to check in when product engagement drops below a certain level, when a client starts using a key product feature, or even when a periodic business review is due.

Monitoring the key actions on the customer journey allows you to create lists that your Customer Success Managers can review on a weekly basis. There are two types of check-ins your Customer Success Team should have on their to do list: event based engagement and periodic check-ins.

Event-based engagement is designed to drive the customer success team to proactively reach out to customers when something changes in their usage patterns that may indicate they require attention.

These can be positive (e.g. customer started using a key new module in the application) or negative (decline in product usage). Each such event should be associated with a default action the Customer Success Manager should follow.

Here are some examples of events and possible actions to be taken by the Customer Success Manager:

- **10 new users joined the account:** Schedule a training for new users
- **Started using new feature:** Send best practices and power tips documentation. Schedule an adoption review in 30 days.
- **Low engagement with reporting functionality:** Invite executive sponsor to a complimentary review session.
- **20% decline in active users:** Add this account to watch list to keep an eye out for further decline. Escalate internally to create win-back plan. Invite all users to training webinar.

Periodic check-ins are time-based milestones that prompt the managing customer success manager to reach out to the client on a regular basis and conduct a periodic business review.

This is an opportunity for the Customer Success Manager to:

1. Assess the health of the customer: think of it as a routine check-in at the doctor where you review the customers overall health score
2. If the customer is doing well: explore new value-creation opportunities by identifying new business needs or sharing recent product enhancements that the customer may find beneficial. The goal is to guide the customers to more value and deeper adoption.

3. If the customer is doing poorly: focus on creating a mutual get-well plan designed to get the customer back on track. This may involve identifying the root-cause, creating an escalating plan and removing technical or business obstacles for the client.

3. BUILD AN EXECUTIVE DASHBOARD

One of the key tasks of a customer-success team is reporting back to management and the rest of the organization about key metrics around customer success and health. The EWS solution recommends a simple Customer health report to summarize current status and trends in health for the customer base.

What you should track:

- What is the current breakdown of good, average, and poor health customers?
- How many cancellations did we recently have and how does that compare to the past?
- Are overall health scores trending up or down?
- Do we have health related challenges with customers in a particular plan, particular life cycle stage or product?
- Are some of my Customer Success Managers overloaded with poor health customers that require more attention?

As you move along your customer journey process, you can find more in-depth resources here at: <http://www.totango.com/resources/>

We hope that you have a good understanding of how to build an Early Warning System. Our customer success team is always excited to talk through best practices and offer any guidance. Feel free to reach out to us.

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