#1 QuickBooks Analytics

Using Accounts Receivable to Predict Churn

For subscription-based businesses, customer retention is critical. Having a product that keeps customers loyal can solidify your place in the market and keep revenue growing. Conversely, a high **churn rate** (a significant percentage of customers who discontinue service during a given time period) can kill your business. Unfortunately, churn rate is a lagging indicator – by the time you notice it, it's already too late. So how can you be proactive about managing churn?

There's a lot of advice out there about how to predict churn (monitoring customer engagement, for example) but there is one surprisingly effective method that remains unexplored. And it's hiding in your financials.

1 // What Can Accounts Receivable Tell You About Churn?

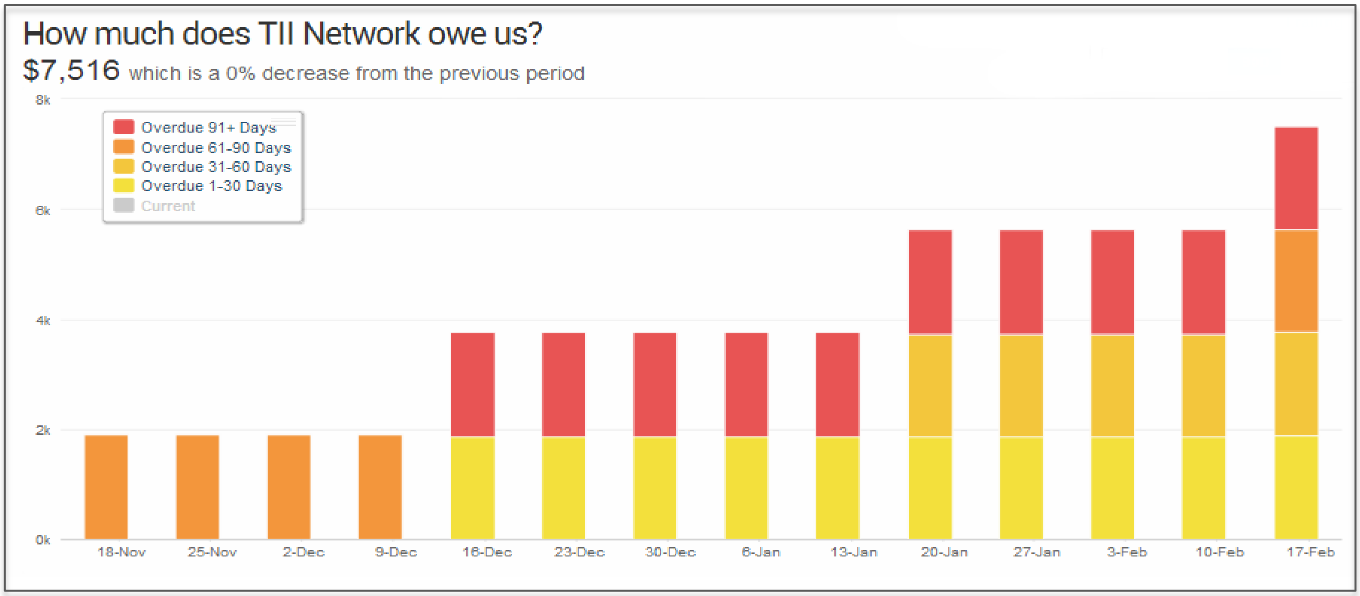
When customers find value in your product, they're typically quick to stay on top of their payments. On the other hand, customers who are losing interest or are on the fence about renewing tend to let bills slip their mind. They may not stop paying altogether, but their payments will likely become incrementally tardier as they become less and less engaged.

A deeper and more granular understanding of your **Accounts Receivable** can help you predict churn by identifying the customers who have started to delay their payments, either consciously or not. You can go through your list of customers and determine those that are most likely to renew or drop your service based on the age of their receivables.

By closely monitoring your Accounts Receivable, you can spot churn risks earlier and try to prevent the loss by re-engaging them or providing targeted service.

2 // Save Time with Financial Analytics

This seems like an easy and intuitive analysis to conduct, right? Wrong, especially if you're pulling all of this data from QuickBooks. Rather than export data to an Excel file and sift through it to get what you really want, you can use an online analytics platform to help you predict churn. InsightSquared gives you a snapshot of your Accounts Receivable – on a given day or broken down by customer – so that you can easily spot patterns of lapsing payments.



The image above shows the overdue invoices for a specific customer. A careful monitoring of this customer's Accounts Receivable would have given the company in question the ability to identify this overdue payment pattern early and take the necessary steps to re-engage the customer or provide the right kind of customer service.

The ability to accurately predict churn is a huge advantage for subscription-model companies. Get analytics software today to unlock your financials and see what's really going on with your business. No Excel files, no complex data tables, just powerful analytics delivered to your screen.