3 Ways to Look at Churn

This is an extra resource to go along with the original article:
Metrics Explained: Some of the Most Misunderstood Measures

Have you noticed that when you look for churn calculations, there are multiple types of churn and methods of calculation? Here are three basic methods suited to most types of business:

#1. Net revenue churn

This is defined as the percentage of revenue you have lost from existing customers in a period. You need to know three things to calculate it:

1. Revenue lost during the period (usually a month). This might include lost revenue through churn, or through downgrades in service.

2. Upsells. This is new revenue from existing customers.

3. Total revenue at the beginning of the period.

You then calculate NRC with the following formula:

$$\frac{\text{Revenue lost - Upsells}}{\text{Total revenue at the beginning of the period}}$$

Remember that positive figures for NRC are bad, while negative numbers are good and indicate growth.

#2. Gross revenue churn

Gross revenue churn is the percentage of your revenue lost for a period, due to customers cancelling or downgrading. It's similar to net revenue churn, but doesn't account for upsells. Like NRC, a positive number is bad, while a negative indicates growth.

The formula for GRC is:

$$\frac{\text{Revenue lost}}{}$$

Total revenue at the beginning of the period

#3. Subscription churn

As we looked at in our article, it's important to isolate churn from acquisition, as it is a leading indicator of the health of your business. Subscription churn rates show the percentage of customers who are not suited to or are dissatisfied with your service.

Subscription churn is calculated with the following formula:

Cancellations in a period
Subscribers at the beginning of the period

Subscription churn is the primary driver of net revenue churn.